EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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SINGLE MARKET
Seoul cleans its image for 1992
Page 6

World News

Pressure builds for ceasefire in Namibia

Senior UN officials made their first visit to the battleground in northern Namibia for talks with South African field commanders as diplomats in African and other capitals sought to reach a UN-monitored ceasefire.

More than 180 people have died in the past four days in fighting across northern Namibia between South African security forces and guerrillas of the South West Africa People's Organisation (Swapo). Page 22; Swapo seeks to shift blame, Page 3

Bush Nato visit

President George Bush announced plans to travel to Europe next month to attend a special meeting of the North Atlantic Treaty Organisation celebrating 40th anniversary of the Alliance. Page 22

Eta ends truce

Attempts to bring about a negotiated solution to Basque terrorism were finally dashed as the separatist organisation Eta announced it was ending its three-month truce and would resume a campaign of violence. Page 2

Coup leaders leave

Haiti's military government, which survived a coup attempt on Sunday, allowed the leaders of the uprising to leave the country for the US. Page 4

Lima blacked out

Much of Lima, Peruvian capital, was without electricity while repairs were made to pylons damaged by the Tupac Amaru revolutionary movement (MRTA). Page 4

Fraser report moves

Pressure grew on the UK Government to publish official report into the takeover of House of Fraser by the Fayed brothers after acknowledgement that it contained evidence of "wrongdoing." Page 14

War debt accord

Iraq's major Western creditors reached a private understanding of terms they will accept in rescheduling Iraq's huge wartime debt. Page 3

Sri Lanka alert

All army and police leave in Sri Lanka was cancelled and the security forces were on full alert to cope with a countrywide strike by the ultra-nationalist JVP. Page 3

Banks reopen

Banks reopened in Argentina but foreign exchange dealing remained suspended for the second consecutive day as the country awaited confirmation of a devaluation of the austral. Page 4

Polish talks rift

A rift between the Polish Government and the OPZZ official trade union grouping is threatening the planned completion of Poland's round-table talks. Page 2

EC health accord

Three proposals for common EC rules for health and safety in offices and factories are expected to win an outline accord from the EC's 12 social affairs ministers. Page 2

Boy wins $225,000

Ilias Argyridis, a three-year-old Greek boy, won $225,000 on the national soccer pools after predicting the correct outcome of all 13 weekend matches for his parents' coupon.

Business Summary

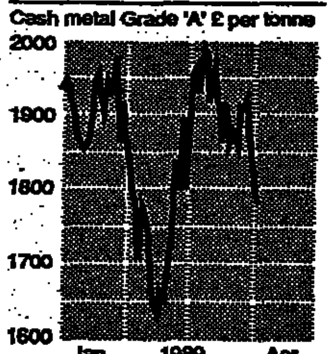
Takeover code for French bourse

French Stock Exchange Council published details of proposed changes to its takeover code, which would force an investor to make an outright bid once he has acquired more than a third of the stock of a listed company.

The new rules are subject to the approval of the Finance Minister, on the advice of the Commission des Opérations de Bourse, French stock market regulatory authority, and the Banque de France. Page 22

COPPER prices the LME continued Monday's retreat, cash metal shedding £27 a tonne to close at £1,779.50. Sterling's strength against the dollar accounted for most of the fall. Commodities, Page 34

Copper
Cash metal Grade 'A' £ per tonne



CONSOLIDATED Gold Fields, UK diversified mining group, produced "a unique performance pledge" as it fired the last shots in its battle to fight off £3.2bn ($5.45m) hostile bid by Minorco, South African-controlled investment company. Page 23

CARDO, Swedish industrial holding company affiliated to the Volvo group, is to buy Skåne-Gripen, Swedish industrial conglomerate, in an agreed takeover bid worth SKr2.5bn ($390m). Page 28

SPECULATION over future course of Blue Arrow deepened when Harris Associates, Chicago-based investment group, disclosed a 6.18 per cent stake in the UK-based employment agency bedevilled by management upheavals. Page 23

SAUDI INTERNATIONAL, consortium bank in which the Saudi Arabian Monetary Agency has a 50 per cent shareholding, reported pre-tax profits of £11.0m ($18.7m) for 1988. Page 28

US Treasury bonds moved modestly higher as the dollar clawed back above recent lows. Page 29

COCA-COLA, US soft drinks group, has coupled its controversial proposal for a new manufacturing plant in India with an offer to assist India's balance of payments through further exports. Page 6

KENYA: two international loans to the country worth about $350m are in jeopardy after disagreements between the government and the IMF and World Bank. Page 3

JOHN FREDRIKSEN, Norwegian shipping magnate, placed orders worth around $700m with shipyards around the world. Page 6

HOECHST, West German company which is the world's biggest chemicals group, plans to expand its fibre interests into South East Asia following its move into the US fibres market with its purchase of Celanese for $2.85bn. Page 24

FORD: several Ford US employees have been disciplined by the company for accepting gratuities from a major supplier. Page 4

CITIZENS & Southern, leading Atlanta bank, has rejected a $2.3bn takeover bid from NCNB, rapidly expanding regional bank. Page 28

Alaska pays a high price for oil

By Jamie Buchan in Prince William Sound, Alaska

APPROACHING Naked Island, six hours by small boat out of the port of Valdez, Alaska, there is a sight so bizarre it might have come out of a dream. On a pebbly shore, below beetling, spruce-covered cliffs in one of the wildest places on earth, dozens of people in green, yellow and red anoraks are seated in a long row.

They are wiping stones with rags. Every now and then, one lifts a stone, inspects it carefully and then tosses it into the Sound. He picks up another from the million around him and starts wiping oil off it. The oil is so thick on the beach that it is hard to stand. Walk and you fall.

Welcome to the clean-up of Prince William Sound. For the past 12 days, more than 10m gallons of crude oil from the stricken tanker Exxon Valdez have been driven by current and wind, across the face of the sound and on to cliffs and shore, seabirds, fish, mammals and smaller forms of life.

On Naked Island, 100 of the thousands of Alaskans and other Americans who have come to Valdez looking for work are getting $16 an hour for a 12-hour day, cleaning pebbles for Exxon, the oil company responsible for the spill.

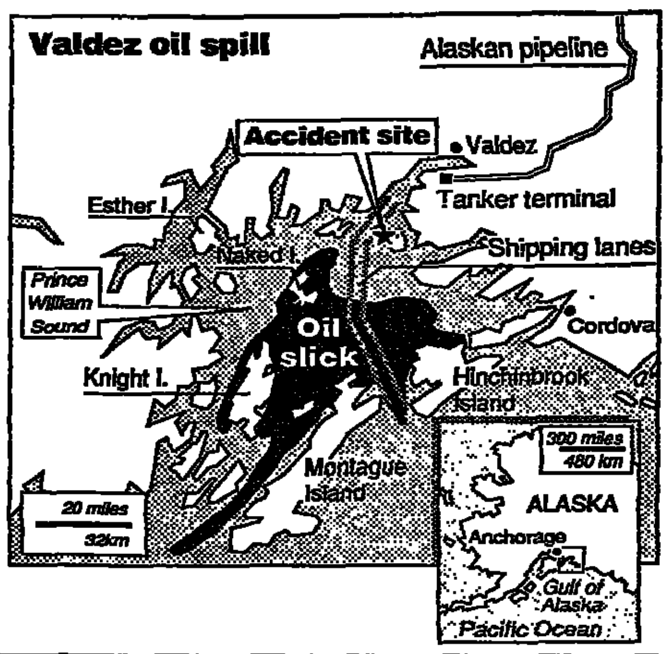
Never mind that they are throwing pebbles back into the water still covered with an oily emulsion. Mr Bob Dawson, a young man from the Veco International oil service company, who is running the operation on Naked Island, says in exasperation: "Everybody is saying we have got to do something. Well, shoot, we are doing something."

Prince William Sound, a place so beautiful and empty it bewitches the mind, is full of these hallucinations of scale and effort. The mammal apparently most vulnerable to the oil is the sea-otter. It will die of cold if its fur becomes matted with oil.

If an otter is found, exhausted on the shore the rescuers get Exxon up on the radio and a helicopter is in the air from Valdez. According to Dr Randy Davies, an otter biologist from San Diego who is in Valdez, it may take five people four hours just to clean the animal. If the otter survives – and 11 of the 28 brought in by Sunday have died – it will be flown down to San Diego for rehabilitation.

Exxon, the largest and richest US oil company, has to show willing. The company accepts liability for the spill. This means claims for damages from fishermen at the town of Cordova, home of the Prince William Sound fleet, which could run at $250m. With personal injury lawyers from New York, Washington, Philadelphia and the West Coast falling over one another to sign up people in Valdez and Cordova on contingency basis, Exxon

Continued on Page 22
Technology, Page 12



IMF policy committee insists on linking loans to debt reduction plan

By Peter Norman and Stephen Fidler in Washington

INTERNATIONAL MONETARY FUND WORLD BANK
WASHINGTON '89

THE International Monetary Fund's (IMF) policy-making Interim Committee yesterday insisted that new commercial bank loans to developing countries must be part of officially supported debt reduction plans.

The 22-nation committee, which includes both industrialised and developing nations, backed a strengthening of the current international debt strategy by placing greater stress on reduction of debt and debt service.

The committee adopted the decision reached on Sunday by the Group of Seven (G7) leading industrial nations that the IMF should provide resources to assist debt reduction operations in debtor nations pursuing sound economic reforms.

It became clear yesterday the IMF would look more favourably on countries with thorough-going economic reforms.

"The stronger the programme of a country, the stronger the financial support," Mr Michel Camdessus, IMF managing director, said at a press conference.

New money from the banks would be an integral part of restructuring a debtor nation's economy with the help of debt reduction. The committee's insistence on banks providing new loans reflects concern that some banks will use officially supported debt reduction to cease extending new funds to debtors.

The interim committee underlined that debt reduction should not result in official creditors replacing private lenders to debtor nations.

This part of the interim committee's communiqué reflected concern on the part of several nations, including Britain, the Netherlands and Switzerland, that debt reduction should not involve a transfer of risk from private creditors such as commercial banks to taxpayers in the industrial countries.

It was, however, less explicit than earlier statements on the issue. The last meeting of the Interim Committee in West Berlin in September agreed voluntary debt reduction should take place without transferring risk from private lenders to official creditors.

The committee also backed the G7 decision to "examine" the provision of IMF or World Bank funds for limited support of interest payments

Speaking at a press conference, Mr Onno Ruding, the Dutch Finance Minister and chairman of the Interim Committee, admitted that this key element in US proposals for debt reduction had been a contentious issue.

But he denied that the decision to study the issue represented an attempt to bury it.

Indeed, in his speech to the joint IMF-World bank Development Committee yesterday, Mr Barber Conable, president of the World Bank, disclosed that the IMF and World Bank had already created a joint task force to study outstanding issues of debt reduction.

Mr Ruding said that examination would cover complex technical questions as well as matters of principle. Britain, in particular, argued that interest support harboured the danger of transferring risk from banks to taxpayers.

In a statement to the Development Committee, Mr Nicholas Brady, US Treasury Secretary, said the World Bank needed to strengthen the effectiveness of its structural adjustment lending programmes to developing countries.

The Bank should obtain the approval of its board for the release of individual tranches of such programmes, he said.

This demand to restrict the Bank's activities illustrates how the major industrial countries now favour the supremacy of the IMF in overseeing how debtor nations manage their economies. This follows disenchantment with the World Bank decision in September to lend $1.25bn to Argentina after approving deficit targets that Mr Camdessus had rejected as too lax.

IMF Reports, Page 4

Lockheed to shed systems group in big reshuffle

By Anatole Kaletsky in New York

LOCKHEED, the big US military contractor, which this week said that Mr Harold Simmons, the Dallas investor, had acquired a 5.3 per cent stake in the group, yesterday announced a major reorganisation designed to focus its operations and boost shareholder value.

Lockheed said it would sell its Information Systems Group, parts of which it acquired two years ago in the $1.6bn friendly takeover of Sanders Associates.

The four companies in ISG – CalComp, CADAM, Metier and DataPlan – produce respectively computer graphics equipment, computer-aided design and manufacturing systems, project management systems and flight planning and weather services.

They had combined revenues of $589m in 1988 and would be sold separately, Lockheed said. Analaysts said they might fetch $1bn. Lockheed also said it would sell about 225 acres of land in Burbank near Los Angeles and relocate its Aeronautical Systems Company from Burbank elsewhere in California and in Georgia.

The proceeds of these disposals would fund a share repurchase programme, but 10.5m of fresh shares would be issued to a newly-formed Employee Stock Ownership Plan.

After the initial share repurchases and ESOP were executed, employees would own

Continued on Page 22
Moving target, Page 23

CGE and GEC agree to combine industrial units

By Paul Betts in Paris and Hugo Dixon in London

COMPAGNIE Générale d'Electricité (CGE), the French telecommunications and heavy engineering group, and General Electric Company (GEC) of the UK are strengthening their industrial links by agreeing to combine their industrial process and power control operations.

CGE is also reinforcing its overall financial structure by merging its Alsthom and Financière Alcatel subsidiaries into CGE. The manoeuvre is expected to boost CGE's group stock market capitalisation by about FFr10bn to FFr40bn ($1.5bn to $6.3bn), Mr Pierre Suard, the CGE chairman, said last night.

He also announced a 23 per cent rise in CGE's overall group net profits to FFr4.15bn last year from FFr3.4bn on a 4.5 per cent rise in sales to FFr128bn.

Under the agreement the UK concern will shed to the French group's CGEE-Alsthom industrial controls subsidiary the activities of its GEC Electrical Projects division, the speed control and robot business of GEC Industrial Controls, the information systems division of GEC Measurements and the 60 per cent stake GEC holds in GEC Power Instrumentation and Control, a joint company with CGEE-Alsthom.

Although GEC's original intention had been to pool its power systems activities in one large 50-50 joint venture with CGE-Alsthom, another CGE subsdiary, during negotiations it became apparent that the electrical projects and industrial control businesses should be put in a separate joint venture with CGEE, GEC said.

The bulk of GEC's power systems activities, however, have been pooled in a 50-50 venture with Alsthom, as originally planned. This venture, which was concluded last month, will have annual sales of just over £4bn ($6.8bn).

Since CGEE's activities were much larger than GEC's corresponding businesses, it would have been unreasonable to expect a 50-50 joint venture, GEC added.

In exchange GEC will receive a 24.5 per cent stake in CGEE-Alsthom through an issue of new shares and a seat on the company's board, Mr Suard said. The deal will turn CGEE-Alsthom into a group with annual sales of FFr14bn employing more than 23,000 people.

GEC expects the combination to enhance market opportunities worldwide and lead to more effective product developments.

The twin merger of Alsthom and Financière Alcatel into CGE is designed to strengthen and streamline the financial structure of the group and reinforce CGE's overall industrial control in its two principal subsidiaries.

Mr Suard said that CGE proposed to offer seven CGE shares for one Financière Alcatel share to absorb the holding company, which directly controls 30.9 per cent of the Alcatel NV telecommunications group. CGE through other

Continued on Page 22

Britain's reserves suffer their biggest decline in over 10 years

By Ralph Atkins, Economics Staff, in London

BRITAIN'S gold and foreign currency reserves last month saw the biggest fall for more than 10 years as the Bank of England intervened to support the pound.

Yesterday's Treasury figures came as the pound reversed steep falls on Monday. Dealers were encouraged by comments from Mr Nigel Lawson, the Chancellor of the Exchequer, about his willingness to use interest rates and intervention to defend sterling.

In busy London trading, the pound closed 1¾ pfennigs higher against the D-Mark and more than two cents up against the dollar. The Bank of England's trade weighted index rose 0.6 to 95.6, after a fall of 0.5 on Monday.

During March the official reserves dropped by an underlying $1.2bn, the largest monthly fall since April 1978. The decline, which gives a rough guide to the scale of intervention on foreign exchange markets, was far larger than expected by City analysts.

It suggests that action to support sterling was more extensive than previously thought. The Bank of England was also selling dollars during the month to check rises in the US currency as part of co-ordinated worldwide intervention by major central banks. The dollar yesterday slipped against other major currencies in European trading, continuing falls on Monday.

The reserves figures include action at the end of February when sterling fell steeply amid fears of higher interest rates in West Germany.

Speaking in Washington after the meeting of the Group of Seven industrial nations, Mr Lawson said intervention and interest rates would be used as necessary to prevent sterling falling. Interviewed on BBC radio, he said: "Any depreciation of the pound would be wholly inappropriate."

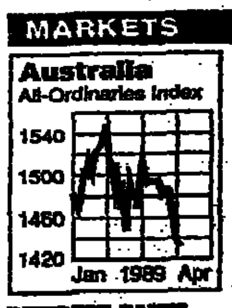
In spite of last month's fall, the official reserves continue to provide a comfortable cushion, although the annual revaluation exercise has reduced their book value. At the end last month the reserves stood at $46.93bn, or $50.46bn on the old basis.

The actual change between February and March was a fall of $1.23bn. The difference between this and the underlying change is explained by $966m proceeds from the sixth tender of Treasury bills denominated in European currency units offset by $670m of maturing Ecu Treasury bills. Repayments of borrowing under the exchange cover scheme totalled $327m.

In London, sterling ended at DM3.19 against DM3.1725 at the previous close and at $1.7065 against $1.6860.

MARKETS

Australia
All-Ordinaries Index



INTEREST RATES
US lunchtime
Federal Funds $9\frac{3}{16}$% ($9\frac{7}{8}$)
3-mth Treasury Bills: yield: 9.125% (9.116)
Long Bond: $98\frac{1}{8}$ ($97\frac{1}{32}$)
yield: 9.050% (9.059)
London
3-month Interbank close $13\frac{1}{32}$% ($13\frac{1}{16}$)

STERLING
New York closing
$1.7070 (1.693)
London:
$1.7065 (1.6860)
DM3.1900 (3.1725)
FFr10.7875 (10.7100)
SFr2.7850 (2.7775)
Y223.50 (222.75)

DOLLAR
New York closing
DM1.8690 (1.87575)
FFr6.3080 (6.3270)
SFr1.6320 (1.64025)
Y130.90 (131.75)
London:
DM1.8700 (1.8820)
FFr6.3100 (6.3525)
SFr1.6315 (1.6480)
Y130.90 (132.05)

GOLD
New York latest
Comex June
$390.9 (-0.2)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,298.20 (-6.60)
S&P Comp
295.31 (-1.06)
London:
FT-SE 100
2062.8 (+3.2)
World:
142.90 (Mon)
Tokyo
Nikkei Ave
33,312.25 (+270.18)
Frankfurt
Commerzbank
1,573.1 (-3.4)

OIL
Brent 15-day (Argus)
$19.90 (+0.25) (April)
West Tex Crude
$20.355 (+0.18) (May)

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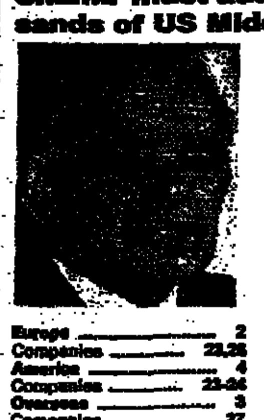
Shamir must adapt to shifting sands of US Mideast policy



For Mr Yitzhak Shamir, Israeli Prime Minister, who arrives in Washington for talks today, the shifting sands of US policy on the Middle East, which includes talking to the PLO, is a little too active for comfort
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Basque separatist group promises new terror campaign

Eta violence feared as talks end

By Tom Burns in Madrid

ATTEMPTS TO bring about a negotiated solution to Basque terrorism were finally dashed yesterday as the separatist organisation Eta anounced it was ending its three-month truce and would resume its campaign of violence.

Eta's terse statement – "at zero hours on April 4 all fighting fronts will be opened" – prompted an immediate top security alert as it was feared that the separatists would rapidly back up their renewed war footing pledge with action.

There was considerable vigilance on Spain's Basque region border with France where police from both countries worked together to prevent the entry into Spain from France of Eta militants. Five reserve companies of anti-terrorist police were drafted into Madrid from the provinces to provide additional security.

The statement, delivered to the San Sebastian newspaper EGIN which acts as Eta's platform, served notive that the "accords of Algiers have definitively broken down". This meant an end to a series of contacts between Eta representatives and Madrid government officials that have been conducted intermittently since the truce began in January using the mediation of the Algerian government.

The definitive breakdown of the contacts stunned Madrid and Basque offials even as they braced themselves for more murders, bomb attacks and kidnappings. For the past week and a half, the Algiers talks and speculation on whether or not Eta's truce would be extended were the dominant features of Spanish news.

The separatists had first announced, on Easter Monday, they were extending their ceasefire for a further three months, but then announced they were breaking the truce because they objected to the wording of Madrid's statement on the progress of the talks. They subsequently backtracked again, saying they would prolong the truce first by 24 hours and then by a further 72 hours.

For the past week and a half Interior Minister Jose Luis Corcuera *and the senior officials* who have been conducting the highly secret talks were reported as talking to the French and the Algerian governments and as flying back and forth between Paris, Algiers and Madrid in an effort to maintain the momentum of the peace process.

The alternately dovish and hawkish statements issued by ETA during the negotiating period could indicate a split in the organisation's ranks, particularly between those who have been conducting the talks in *Algiers and the separatist* leaders to whom they have been reporting.

The latter, ETA members who are either imprisoned or living clandestinely in France, are the ones controlling the numerous active cells of gunmen and bombers who have now been ordered into action again.

A split within Eta and, by *extension, a division within* its political front party in the Basque region, the radical nationalist coalition Herri Batasuna, appears to be the best that can be hoped for from Madrid's point of view, given a situation that was described by one senior official as a cul-de-sac.

Another hope is that moderate Basque nationalist parties will now close ranks to firmly oppose Eta and Herri Batasuna. Such parties, which represent an overwhelming majority of Basque opinion, have *increasingly* been adopting such a stand.

Pandolfi bar on genetic engineering project

By William Dawkins in Brussels

THE NEW European Commissioner for Research and Development, Mr Filipo Maria Pandolfi, has frozen *indefinitely* an Ecu15m (£9.75m) research project to study human genes with the aim of predicting diseases.

This is believed to be the first time a Commissioner has blocked one of Brussels' own technology programmes.

It comes as result of warnings by the European Parliament that such a plan should not be allowed to proceed without some European Community ethical laws on biotechnology.

European MPs from the West German Greens party, in particular, have expressed worries that the results of the project could be abused to influence people's decisions on getting married and having children.

From there, it could be a short step to the genetic modelling of races.

A European Parliament report by Mr Benedikt Haerlin, of the West German Greens, calls for important changes to the scheme, including the establishment of strict ethical controls.

It would channel Community cash into cross-border research projects into the use of biotechnology to forecast the likelihood of individuals catching specific diseases.

The plan, to cover the three years to 1991, would also promote "better understanding of the mechanisms of heredity," including the establishment of "an ordered clone library of human DNA," says a Commission paper.

As such, officials stress the scheme would simply collect facts about genetically related *disorders* and *have none* of the sinister underlying consequences apparently suspected by the European Parliament.

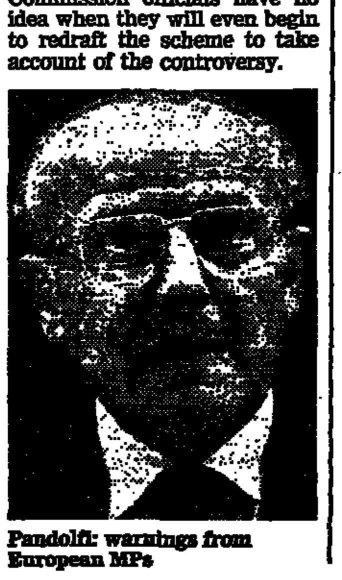
The hitch is intensely frustrating for the Commission officials who drew up the scheme, known as Human Genome Analysis, last year.

It was tabled without controversy last summer by Mr Karl-Heinz Narjes, the West German Industry Commissioner, who handed over the technology portfolio to Mr Pandolfi on his retirement in January.

It is now stuck as it awaits the preliminary ministerial approval of the 12 member countries, needed to allow it to return to the Parliament for a second reading, the last stage before final ministerial adoption.

Member states, as a result, have convened a group of national biotechnology experts to debate the ethical consequences of human genetic research.

However, irritated *Commission officials have no* idea when they will even begin to redraft the scheme to take account of the controversy.



Pandolfi: warnings from European MPs

Official union puts Poland's round-table talks at risk

By Christopher Bobinski in Warsaw

AN UNUSUAL rift between the Polish Government and the OPZZ official trade union grouping is threatening the planned completion today of Poland's round-table talks.

The row, over the extent to which wage-earners are to have their incomes linked to the rise in retail prices.

It has forced the Solidarity union, which is about to be legalised, into an uneasy alliance with the Government in its battle against the OPZZ, which is led by Mr Alfred Miodowicz, a politburo member.

On Monday evening top negotiators from all three sides, accompanied by Roman Catholic Church observers, began a last-ditch attempt to remove remaining differences and enable the round-table talks to close today.

However, the meeting in Magdalenka, a Warsaw suburb, was overshadowed by the OPZZ's insistence that incomes be linked 100 per cent to inflation. Unless the Government agrees, the union, which claims 7m members, says it will not sign the round-table's final documents.

The Government, which had initially opposed indexation, had subsequently agreed with Solidarity to compensate for 80 per cent of the fall in living standards caused to rising prices.

On Monday night, OPZZ leaders rebuffed Mr Ireneusz Sekula, the Deputy Premier, and Mr Wladyslaw Baka, a party secretary, both responsible for the economy, who urged them to reconsider. A personal request from General Jaruzelski to Mr Miodowicz met the same fate.

The OPZZ said the union, set up in 1982 to replace Solidarity banned a year earlier, felt threatened by the return of Mr Lech Walesa's movement and its stance on wages was aimed at winning the support of the lower paid in particular.

It appears to be backed by conservatives in the Communist party opposed to the round-table contract. Indeed, Mr Rajmund Moric, leader of the official miners' union, openly accused General Jaruzelski last month of making too many political concessions to Solidarity.

Yesterday, at Magdalenka, the authorities gave way to Solidarity on strengthening the powers of a democratically-elected Senate over legislation passed by Parliament, and this has opened the way to a final agreement.

The round-table package includes a Solidarity promise not to *boycott* elections in June and foresees a minority opposition presence in Parliament and a free contest for the new upper chamber.

Yesterday Solidarity issued a statement accusing the OPZZ of attempting to sabotage the talks and demanding a consumer goods prices' freeze to stay in place until the indexation system begins to function.

EC set to approve safety at work rules

By William Dawkins in Brussels

THREE PROPOSALS for common European Community rules for health and safety in offices and factories are today expected to win an outline accord from the EC's 12 social affairs ministers.

While technically detailed, they are of broad political importance to the Spanish Government, which, as current EC president, is keen to support efforts of Mr Jacques Delors, the European Commission president, to accord social *policy a higher place in* the campaign for a single Community market by the end of 1992.

Mrs Vasso Papandreou, the social affairs commissioner, will also give ministers a progress report on Brussels' plans for a charter of "fundamental social rights." But this has already drawn criticisms from the UK Government and EC employers' organisations, who fear too many social policy regulations will be an administrative burden for business.

However, such attacks have not been levelled at today's directives on workers' safety, perhaps a sign of their relatively limited scope. The widest reaching of them, covering health and safety at work, aims to set minimum standards for the safe design of factories and offices, covering details like electric wiring, fire warning equipment and lighting.

A second proposal sets minimum rules for the safe use and installation of machinery, designed to complement a separate Commission directive set*ting common technical require*ments for machine tools, which received ministerial approval last year. The final scheme lays down common standards for the use of protective clothing for industrial machinery operators.

Austria to apply this summer

By Judy Dempsey in Vienna

AUSTRIA'S coalition Government will formally apply for membership of the European Community *this* summer, ending months of speculation and internal wrangling among the country's political parties and within the Socialist party (SPOe).

The decision to press ahead with the application was made after the SPOe, senior partner in the coalition led by chancellor Franz Vranitzky, finally closed ranks over the issue.

In a "position paper" released earlier this week, the party concluded that applying to the EC would be "profitable", but that Austria should not apply "at any cost." In particular, it spelt out in no uncertain terms that Austria's neutrality would be maintained and interpreted only by Vienna.

But senior officials in the SPOe still harbour reservations about the future direction of the EC, especially on issues related to the free movement of people within the Community, one of the goals of the internal market.

They fear that Vienna's special relationship with Eastern Europe – many countries do not require visas for entering Austria – may be compromised by the internal market.

Meanwhile, the SPOe's position has been welcomed by the conservative People's party, the junior coalition partner.

Over the next few weeks, the Government will draw up a final report, present it to Parliament and send the letter to apply for EC membership to Brussels.

President Mitterrand samples some of the culinary delights of the town of Günzburg where he met Chancellor Kohl

Mitterrand and Kohl prepare for summit

By Haig Simonian in Günzburg

MILITARY ISSUES remained surprisingly absent from the agenda at yesterday's meeting between Chancellor Helmut Kohl of West Germany and President François Mitterrand of France, called to prepare their positions ahead of a string of key international conferences in next three months.

The meeting in the small Bavarian town of Günzburg, marking the first visit by a French leader to the town since Napoleon in 1805, was devoted to co-ordinating joint positions at the forthcoming European summit in Madrid at the end of June, and the seven nation world economic summit, which is due to take place in Paris in July.

However, President Mitterrand used the occasion to launch a powerful call for a return to stability in Lebanon, currently rent by renewed sectarian fighting. The President said France and the European Community had made a variety of diplomatic initiatives, so far in vain.

However, the President was short of concrete suggestions for ending the fighting, apart from further moral, psychological and diplomatic pressure by concerned nations.

With *the* report by *the* Delors committee on closer European economic and monetary co-operation due to be submitted by the end of this month, monetary and economic issues played an important part in the two leaders' talks. Mr Kohl said he hoped *the EC would be able to push* through the major lines of policy by the end of the French presidency in December following preliminary consideration of the report at the next European Council meeting in Madrid at the end of June.

Both leaders proclaimed their enthusiasm to press ahead with the "true" abolition of border controls between EC member states. "There is no sense to have the free circulation of goods if you block the free circulation of people", said Mr Kohl.

Both said they recognised open borders between EC countries required joint policies towards political asylum seekers and also towards international crime. The question of a new European body to combat international criminal gangs was not specifically raised.

The two leaders said they intended to emphasise environmental issues at this year's world economic summit, while also drawing attention to the links between environmental issues and the debt problems of third world countries. The recent oil spillage in Alaska had once again show the "global endangerment of the environment", said Mr Kohl.

Defence issues were barely raised, despite the differences between the two countries on conventional and nuclear disarmament. However, the subject is likely to feature much more prominently at the next formal Franco-German summit in Paris later this month, which will also mark the first official meeting of the joint Defence Council set up by the two countries.

W German industrial upswing continues

By Andrew Fisher in Frankfurt

FURTHER EVIDENCE of the continuing buoyancy of the West German economy was provided yesterday with the news of yet another large monthly trade surplus and an upturn in industrial production early this year.

West Germany's trade surplus totalled DM11.4bn (£3.6bn) in February, sharply higher than the DM8.2bn of the same month last year, but down on the DM11.8bn of January, 1989.

In the first two months, exports rose by 29 per cent over last year and imports by 27 per cent, the Federal Statistics Office said.

The main stimulus to West Germany's soaring export performance has come from western Europe, and Commerzbank said in a report on West German trade yesterday that EC countries would again provide the best opportunities for the country's foreign sales.

Last year, West Germany's surplus with other EC countries advanced by DM13.5bn to DM81bn, the biggest customers being France, the UK, Italy, and the Netherlands.

The overall trade surplus was a record DM128bn, which economists expect to increase again this year.

The industrial output figures released by the Economics Ministry showed a gain of nearly 5 per cent for February over the same month of 1988 and one of 1.3 per cent over January, 1989.

On a seasonally adjusted basis, the February rise over *January was 0.3* per cent, with a jump in both January and February of 6 per cent over the same two months of last year.

Fears of overheating led the Bundesbank to raise interest rates early this year, but it was at pains to explain yesterday that it had no plans to tighten monetary policy further.

This was after it reverted to an interest rate tender for this week's securities repurchase agreement, thus allowing commercial banks to set their own rates.

In past weeks, it had adopted a fixed rate tender to calm financial markets and keep *rates steady*.

This week's change is expected to lead to an increase from *the* latest 5.80 *per* cent repo rate, but no rises in the key Lombard and *discount* rates are seen likely at *tomorrow's* Bundesbank council meeting.

Greek, Turkish Cypriots to unstaff Green Line

THE governments of Greek and Turkish Cypriot communities have agreed to withdraw soldiers from three tense observation points on the Green *Line in Nicosia*, AP reports from the UN.

Mr Rauf Denktash, the president of the breakaway Turkish Republic of Northern Cyprus, confirmed that his government had fully agreed with the UN plan for the pullback.

Greek Cypriot troops are only 10 meters from Turkish Cypriot troops at some points along the buffer zone known as the Green Line. Last year, a Turkish Cypriot and a Greek Cypriot were killed in separate sniping attacks.

Under the terms of the UN plan, both the Greek and Turkish Cypriot forces will withdraw from the posts, but will not necessarily have to dismantle their defence works.

Mr Andreas Aloneftis, the Cypriot Defence Minister, said that his government has agreed to the UN plan. Both sides still have to sign formal documents.

If the plan succeeds, Mr Denktash said it would "naturally" lead to further steps toward demilitarisation, "provided the UN is between us. Our armed people must not see each other from different points."

The UN Peacekeeping Force in Cyprus, known as UNFICYP, was established in 1964. Since 1974, it has patrolled the *Green Line in an attempt to* defuse hostilities. It has about 2,100 troops and 34 police monitors from nine nations.

Mr Denktash and Cypriot President George Vassiliou are in New York for a third round of talks mediated by Secretary-General Javier Perez de Cuellar on how to reconcile the Greek and Turkish communities on Cyprus.

The Mediterranean island has been unofficially partitioned since the Greek government fomented a coup and Turkish troops moved into the northern sector to protect the Turkish minority community.

The coup failed, but about 30,000 Turkish troops remain and about 50,000 Turks moved from the mainland to settle in northern Cyprus.

Mr Vassiliou's government demands the removal of the Turkish troops and settlers as part of the process of establishing a national republic with two states with virtual autonomy in local affairs.

The Turkish Cypriot community declared itself a nation in 1983, but *the republic* has been recognised only by Turkey.

EC intervention 'must be curbed' argues Redwood

By Guy de Jonquières, International Business Editor

A FORMER senior adviser to Mrs Margaret Thatcher has called for firm action to stem pressures in the rest of the European Community for more intervention by Brussels and the development of a federal Europe.

Mr John Redwood MP, head of the Prime Minister's policy unit in 1984-85, said in a paper that a "major ideological divide" had opened up between believers in the free market and advocates of a bigger role for the European Commission in regional and social policies, taxation and company law.

"The two strands of European policy are mutually incompatible, and one needs to triumph," the paper says, arguing that increased interventionism, favoured by socialist groupings in the Commission would undermine the principles of free competition enshrined *in the* Treaty of Rome.

Mr Redwood's paper, which echoes many of *the* themes of Mrs Thatcher's speech last year to the College of Europe in Bruges, recommends a number of steps to curb EC interventionist trends. They include proposals that:

- European regional policy subsidies should be immediately abolished and the Common Agricultural Policy replaced by a market-based system.
- Britain should not become a full member of the European Monetary System. Europe should give freer play to market pressures which would lead to a revaluation of the Deutsche Mark.
- Fiscal harmonisation in Europe should be achieved by increased competition between national tax authorities and not imposed by Brussels.
- The Commission's competition directorate should be strengthened, but its control over mergers should be limited to deals involving total turnover of more than £2bn a year.

* *Europe 1992: the good and the bad; by John Redwood; £3.50; Centre for Policy Studies, 8 Wilfred Street, London SW1 E6PL. 01-828 1176.*

Moscow urged to scrap giant oil project

By John Lloyd in Moscow

THE DEEPENING crisis in the production and availability of consumer goods in the Soviet Union has prompted a group of senior Soviet scientists to call for the scrapping of one of the *country's* biggest investments - the construction over the next decade of five petrochemical projects in the oilfields of western Siberia, planned as joint ventures with US, Japanese, West German and Italian companies.

The attack on the project, approved at the end of last year by the Council of Ministers, is given extra weight by being headed by three full members of the academy of sciences - Mr Boris Laskorin, Mr Nikita Moiseyev and Mr Mikhail Styrikovich - and by the support given to it by Izvestia, the government newspaper.

The scientists, in a letter to the newspaper, claim that the project will cost more than double the projected Rs41bn (£38bn) investment, will force the relocation of more than 1m workers and their families to the inhospitable Tyumen region of Western Siberia, will cause ecological disaster in the area and will, when on stream, force down the world price of plastics and polymers.

Above all, they *claim* that the investment will starve both the rest of the chemical industry of much needed funds, inhibit the adoption of energy saving strategies and "exclude any possibility of reorientating the economy in the 13th and *14th five year plan periods* (the 1990s) to social needs."

They say that the cost of infrastructure in the region needed to support the plants would be some Rs20-25bn, financed exclusively by the Soviet side of the joint venture. "In this way we are almost giving a present to the western countries by creating at our own cost a system of buildings and infrastructure to serve the joint venture. Are we really so rich to bite off such a large slice from our not-so-luxurious cake?"

The academicians stress that their objections spring in the first instance from concern over the social crisis in the USSR. "The growing political activity of the people and growing social optimism is not accompanied by any signifi*cant improvements in the* resolution of existing social problems. This situation cannot continue for long. We have to change the economic structure and use existing resources constructively".

In a brief response also printed by Izvestia, Mr A I Lukashov, deputy chief of Gosplan, the state planning agency, says the project is a "commercial secret and thus not open to public discussion, especially by "incompetent sources" in an editorial.

The newspaper says it "has to be debated competently and universally - you cannot discuss a project affecting the lives of millions of people without their knowledge."

New import rules send Hungarians on Viennese spending spree

By Judy Dempsey in Vienna

VIENNA'S BMW drivers stood no chance yesterday against the Hungarian invasion.

Driving their two-stroke East German Trabants, the Magyars hogged the city's ring road, anxious to find Mariahilfer*strasse, one of the main* shopping thoroughfares. There, 150,000 Magyars splashed out on videos, computers, televisions, washing machines, radios and other household appliances in Europe's most expensive capital.

It was the second incursion in five months. Last November, 100,000 Hungarians chose to celebrate the 1917 Revolution with a spending spree in the West. But yesterday's *events came as a surprise*. Hungarians are expected to stay at home and celebrate the liberation of 1945. Instead, they rushed across to Austria.

This surge of panic-buying stems from new regulations that the Hungarian authorities are about to slap on imports. From April 8, the amount of duty-free goods Hungarians will be able to bring home has been reduced from 10,000 forints (£110) to 5,000 forints. *The import tax on certain* goods, such as videos will rise sharply to 45 per cent.

Clearly, the rate at which the Hungarians have been spending hard currency has placed a considerable strain on the country's reserves. Net receipts from tourism have fallen from a surplus of $368m in 1987 to under $39m.

But such is the price of a more liberal travel policy as well as a shortage of top qual*ity consumer goods at home*. With the issuing of passports last year to all Hungarians who do not require visas for visiting Austria, the authorities in Budapest have had to finance visits abroad.

Each Hungarian is allowed the equivalent of 19,000 forints in hard currency spread over three years, a tiny sum for the consumer-hungry Magyar who wheel-and-deal back in Budapest with their new goods in *order to obtain more hard cur*rency to travel to Vienna. Understandably, Viennese shopkeepers were delighted with the business. Last year alone, Hungarians spent more than Sch 6bn (£263m).

However, with the new regulations, the shopkeepers may feel the pinch as the Hungarians' consumer power is cut back. "If you know the Hungarians, they will get around the tax somehow," one video*shop manager* commented. "Business will tail off for a while. But they'll be back, eager as ever, to spend their money," he added as his sales assistant spoke impeccable Hungarian to a customer.

Polish customs officials launch crackdown on 'trader tourists'

By Leslie Colitt in Berlin

POLISH customs officials have cracked down on tens of thousands of Poles anxious to sell food, vodka and clothing in West Berlin and Austria in order to earn hard currency and beat spiralling inflation.

Until recently, more than 20,000 Poles came to nearby West Berlin on weekends in tiny Polski Fiats and buses filled with butter, eggs, cheese, cigarettes, vodka and knitwear. Their best customers in the West were Turkish Gastarbeiter (guest-workers) who thronged a makeshift Polish market near the Berlin Wall where Poles sold butter for DM1 (31p) a pound, half the normal price in West Germany.

Back home the Poles converted the DM1 at the now official "private" exchange rate and obtained more than Zl 1,700 (or, several times what a pound of butter costs in Poland). A weekend profit of DM200 exchanged into zlotys was the equivalent of more than three months wages.

Some Poles even sold tins of smuggled Russian Beluga caviar to West Berlin gourmets.

But retailers in the city complained bitterly about unfair competition and the West Berlin authorities decided that the foods violated health regulations. The Poles were forbidden to sell food although in practice only those selling large quantities were affected.

The Polish press criticised the "trader tourists" for giving Poland a bad name abroad and Polish customs began clamping down on citizens bound for the West with carloads of food and liquor. One caravan was found to contain 1½ tons of cheese. Poles, however, continue to stream into West Berlin to buy electronic goods and used cars.

West Berlin and Austria are the only two Western destinations to which Poles can travel without visas. Since last January 1, they have been allowed to keep their passports valid for travel to the West at home.

Those who make the trip frequently, resell the items and make a handsome profit in zlotys. Increasingly, however, they demand dollars for the goods at home as the inflation-ridden zloty mainly serves to buy basic goods and services. Flats and houses as well as desirable goods in many Polish cities are only sold for hard currency.

Small Polish entrepreneurs also drive to West Berlin where they load trailers with raw materials and spare parts for their workshops in Poznan and Gdansk.

The growing grassroots commercial links between Poland and West Berlin as well as the spending spree by Hungarians in Austria may well be a harbinger of things to come in a Europe where the East-West division is beginning to look like an anachronism.

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OVERSEAS NEWS

Creditors reach accord on Iraqi debt repayment

By Andrew Gowers in Baghdad

IRAQ'S major Western creditors have reached a private understanding of the terms they are prepared to accept in rescheduling Iraq's wartime debt.

The informal agreement, understood to have been reached at the Paris Club of industrialised countries in January, is designed to prevent Iraq continuing to play its creditors off against one another to obtain favourable resheduling terms.

It is understood to set a five-year limit for bilateral rescheduling agreements in the absence of a full-scale multilateral rescheduling under the auspices of the Paris Club.

Iraq's total foreign debt is a secret, but Western estimates range upwards from $65bn. Of this, $30bn is owed to other Arab countries, principally Saudi Arabia and Kuwait which helped bankroll the Iraqi war effort. These are unlikely to be repaid.

Iraq's debts to developed countries are substantial, with Japan exposed for around $6bn and France and West Germany possibly owed $5bn each.

Baghdad has handled the debt burden with considerable skill, negotiating with each creditor to reschedule payments from 1985 on. It has used prospects of post-war reconstruction business to encourage creditors to extend more money.

Creditors appear to have been prompted to form a united front in January by the prospects of further rescheduling negotiations. The grace period of several of Iraq's earlier deals end this year. Payments due during 1989 are estimated at around $5bn against last year's oil revenue of $12bn. Iraq is expected to meet some of the required payments in oil.

West Germany has reached agreement with the Iraqis to reschedule DM1.4bn under the Paris Club terms. Italy has resolved outstanding problems, and Turkey is thought to have made a deal.

Iraq has agreed to put 25 per cent of its Japanese oil sales revenues into an escrow account in Tokyo to service its estimated $2bn-$3bn owed to the three main Japanese trading houses. Japan is rumoured on the point of another deal to cover other Iraqi debt. But Iraq and France have failed to reach agreement on rescheduling.

Western officials are worried by the scale of Iraq's debt and that Baghdad appears to be postponing payments with no overall agreement in prospect. Some industrialised countries would like to press Iraq to go to the Paris Club, but Baghdad is unlikely to agree as this would entail outside scrutiny of its finances.

US report of nuclear arms capability dismissed

By Andrew Gowers

WESTERN OFFICIALS based in Baghdad have dismissed an American newspaper report that Iraq is on the point of producing nuclear warheads for its growing arsenal of long-range ballistic missiles.

The report, published last week in the Washington Post and attributed to Israeli intelligence sources, said Iraq was making a nuclear warhead for a missile which could reach Israel. Some of the Israeli sources said Iraq was only two years from testing such a warhead, while others said the Iraqi project would need another five years.

The allegation – predictably denied by Iraqi officials – has caused controversy ahead of this week's talks between Mr Yitzhak Shamir, the Israeli Prime Minister, and President Bush.

Iraq does have what is believed to be a fairly low-level research programme on nuclear energy, and there has been much speculation that in the long term Baghdad might harbour wider nuclear ambitions. It was concern over this possibility which prompted Israel to bomb the Osiraq reactor in 1981.

The Western officials in Baghdad say Iraq has not reactivated that reactor, although its other small experimental nuclear reactor at Salman Pak near Baghdad, is still operating.

The International Atomic Energy Agency conducts regular inspections to ensure that its use is purely peaceful, and diplomats can find no evidence that Iraqi research has yet taken it into more sinister territory.

"We don't have any evidence that they're anywhere near that stage," said one. "It sounds to me like the Israelis are piecing a lot of little things together and making too much of it."

Sri Lankan forces on alert ahead of strike

By Mervyn de Silva in Colombo

ALL ARMY and police leave has been cancelled and the security forces placed on "full alert" to cope with a country-wide strike by the ultra-nationalist JVP today.

It is the anniversary of the abortive insurrection of 1971 launched by the JVP against the left-inclined "United Front" of Mrs Sirima Bandaranaike.

The *hartal* (strike) is the first major political confrontation between the JVP and the newly elected President Ranasingha Premadasa.

The JVP has ordered all shops, markets, government offices and banks to close, and asked private bus operators to keep off the roads.

However, it seems to have had second thoughts on its original plan to paralyse the country for one week, ending after the Sinhalese-Tamil new year on April 12-13.

In its latest appeal, it has merely asked people not to celebrate the New Year in the "traditional fashion" but in a "low key" way, mindful that Sri Lanka is occupied by 50, 000 troops of the "Indian expansionists, agents of Western imperialism," and that hundreds of young Sinhalese "patriots are being butchered by the servile pro-Indian Premadasa Government."

Gandhi in bitter attack on opposition

By David Housego in New Delhi

MR Rajiv Gandhi, the Indian Prime Minister, yesterday set the tone for what promises to be a bitter election campaign when he accused the opposition of extending support to those who had been behind the murder of his mother, former Prime Minister Mrs Indira Gandhi.

His remarks came amid continuing noisy scenes in both houses of parliament over the government's refusal to disclose the full contents of the report of the Thakkar commission into Mrs Gandhi's assassination.

In the Upper House, the opposition walked out after the Speaker backed the government's case. At the same time Mr P. Chidambaran, Minister of State for Home Affairs, announced that charges would be brought forward shortly against "a few" persons involved in a larger conspiracy to assassinate Mrs Gandhi.

A newspaper report yesterday claimed that the conspiracy included plans to destabilise the Punjab and cut off the country's lines of communication with Kashmir, the province bordering Pakistan and which is in dispute between the two countries.

Citing unidentified sources, the report in the Indian Post said the plot included "violence and anarchy, the blowing up of bridges and communications networks and hijacking of planes."

Mr Gandhi, in a hard-hitting speech to student workers of the Congress party, left little doubt that the theme of threats to the nation's unity would be a major element in the party's election campaign. He said that the assassination of Mrs Gandhi was part of a conspiracy against the integrity of the nation and that it was not at an end.

Taking up again accusations which caused a storm in Parliament when he made them recently, he charged the opposition with supporting Sikh extremists. He said they had failed to disown one of their leaders whom he had claimed had supported the murderers of his mother.

He also accused them of supplying arms to their officials in non-Congress ruled states and instigating violence. Mr Gandhi's tough speech and the launching of further criminal charges over Mrs Gandhi's assassination, mark the government's first major attempt to regain the offensive after the buffeting it has taken over the Thakkar report.

This accused Mr R.K. Dhawan, a former assistant of Mrs Gandhi and now a close associate of the Prime Minister, of being behind the assassination. The controversy over the previously secret report, details of which were first leaked in the press, has revealed rifts within Mr Gandhi's administration.

Mr Gandhi's remarks yesterday suggest he hopes to reverse the tide by playing on the sympathy felt for his mother and resurrecting the threat of the nation in danger.

Correction

In some editions of the Financial Times yesterday pictures of Professor Romano Prodi, president of Iri, and Dr Mahathir Mohamed, Malaysia's Prime Minister, were transposed. The error occurred on the European and Overseas pages of the London edition and the European and first section back page of the international edition.

Aoun presses for end to Lebanon stalemate

Moves are afoot to provoke an international reaction, **Lara Marlowe** reports

AS the devastating artillery battles in Beirut enter their fourth week, the motives of Christian General Michel Aoun in challenging the Syrian army in an apparently unwinnable military contest are becoming clearer.

Gen Aoun's escalation of the conflict seems calculated to draw international attention back to Lebanon, perhaps in the hope that a Western or international army can once more be induced to take on the role of peacekeepers.

The Arab League, the European Community and the United Nations Security Council have all appealed for an end to the latest fighting in Lebanon, which has killed more than 120 people since mid-March. The French government has confirmed that it is trying to negotiate a truce.

Even with the fragile support of Dr Samir Geagea's Christian militia – which lost a military struggle with Gen Aoun's army in February this year – Lebanon's Christian troops and militiamen are outnumbered at least three to one by an estimated 30,000 Syrian soldiers who are assisting their Druze and Shia Amal allies.

Despite recent Iraqi military assistance to Dr Geagea's "Lebanese Forces" militia and Gen Aoun's army, the Syrians are more heavily armed and hold the high ground around Beirut from which they can shell Christian areas of the capital at will.

Although the Syrians cannot be driven out, senior Iraqi Foreign Ministry officials do not hide their delight at the predicament of their enemies. When their Christian allies were using Iraqi money and weapons to fight each other in February, Iraq made it clear to both sides that their armaments were intended for use against Syria.

Gen Aoun's assault has caused Damascus considerable embarrassment. Since they entered Lebanon as part of an Arab League peacekeeping force in 1976, the Syrians have presented themselves as a deterrent force acting on behalf of the people of Lebanon.

A resident struggles through the wreckage caused by shelling in Christian East Beirut

The Syrians have shelled Christian forces in East Beirut before – they bombarded the city in 1980 – but they have never altered their publicly stated claim to be there at the request of all or part of the Lebanese government.

The Soviet Union, the French government and those Arab Gulf countries who might be prepared to support the weakened Syrian economy are all putting diplomatic pressure on President Hafez al-Assad's government in Damascus to reach an agreement to cease hostilities.

The pressure to leave Lebanon – coming after Iraq's victory in the Gulf war, decreased Soviet military support for Syria and the resurgence of Palestinian leaders opposed to Syria during the uprising in the Israeli-occupied territories – is a further blow to Syrian ambitions.

Gen Aoun, who makes no secret of his desire to be president of all Lebanon, stands to gain immense popularity if he can be the instrument of a solution to the stalemate which has left Lebanon with two governments – one Christian and one Moslem – since the abortive presidential election in September.

But it is unclear exactly what the ambitious Gen Aoun hopes to do or what kind of foreign intervention he might be searching for. An immediate withdrawal of Syrian forces is inconceivable. It would be an unacceptable climbdown for President Assad, and could leave Lebanon in even greater chaos than before.

Lebanon's Maronite Christians have historically looked to France for assistance ever since French troops first came to rescue them after the Druze massacred Christians in 1860. Despite the humiliation France has suffered in Lebanon – both at the end of its mandate and during its participation in the ill-fated multinational force between 1982 and 1984 – the French keep a close interest in the country.

Since Gen Aoun demanded the departure of Syrian troops in mid-March, Lebanese Christians have demonstrated in Paris, in front of the Lebanese Embassy and the French National Assembly, repeating Aoun's insistence that the Syrians leave, and calling on the French government to intervene.

Mr Roland Dumas, French Foreign Minister, met Mr Farouq al-Sharaa, the Syrian Foreign Minister, in Paris, and the two men arranged a state visit to France by President Assad.

The increase in Franco-Syrian contacts has been condemned by Mr François Leotard, president of the French conservative Parti Republicain, who has hinted France should come to the rescue of the Christians in the current fighting.

But if France ever contemplated sending troops back to Beirut – which may be what General Aoun has at the back of his mind – the government would insist on the most stringent conditions to ensure their forces were acceptable to all sides.

More than 50 French soldiers were killed on October 23, 1983.

At present, there is only a small French logistics unit at UN headquarters in Naqoura, on the Israeli-Lebanese border, supporting the UNIFIL peacekeeping army in southern Lebanon. Most nations, including France, would undoubtedly prefer any peacekeeping force sent to Beirut as the result of an eventual agreement to be under UN auspices.

UN peacekeeping forces won the Nobel Peace Prize last year and UNIFIL (United Nations Interim Force In Lebanon), is the only foreign army there to have avoided involvement in the Lebanese civil war.

Syrian and Christian gunners yesterday continued to pound residential areas in and around Beirut, and the Lebanese electricity authority warned that most of the country would run out of power unless the fighting ended, AP reports from Beirut.

Police said six people were killed and 18 wounded overnight. The casualties raised the toll to 153 people killed and 499 wounded since March 8, when the current round of hostilities broke out between General Michel Aoun's Christian troops and an alliance of Syrian and Druse forces.

The electricity authority said that its generating station in the Christian suburb of Zouk would run out of fuel oil later in the day and it would stop providing power to most of Lebanon.

A freighter loaded with 30 tons of fuel oil has not been able to unload its cargo at the power station's dock due to the shelling.

Kenya loans worth $350m under threat

By Julian Ozanne in Nairobi

TWO international loans to Kenya worth approximately $350m (£206m) have been put in jeopardy following disagreements between the government and the International Monetary Fund and World Bank over the progress of the country's structural adjustment programme.

Western diplomats say that Professor George Saitoti, Kenya's Minister of Finance, who returned from Washington this week, was told by Bank and Fund officials that moves to liberalise the economy, particularly in the field of import licensing, are inadequate. Unless major changes of policy are addressed in the budget next June, say the diplomats, further loans will be held back.

Disbursement of the second tranche of the World Bank's Industrial Sector Adjustment Credit, due in June and worth about $50m, has been postponed until the government demonstrates its commitment to automatic unrestricted licensing for imports of strategic agricultural, industrial and medical inputs, and to replacing quantitive restrictions for tariffs on all other goods.

Further action on export promotion and investment incentives are also linked to the loan.

The IMF is insisting on key fiscal reforms to be made this year before Kenya can be considered for a highly concessional Enhanced Structural Adjustment Facility worth SDR227m over three years.

Cuts in public expenditure, particularly in government personnel, and increased revenue through introducing user charges in education and health, are the main conditions.

In the past five years, Kenya has had a better-than-average economic record, but has been passed over twice for an extended structural adjustment loan, an IMF facility which provides for long-term repayments at low interest rates.

Last year, all IMF targets agreed under a Structural Adjustment Facility were sucessfully met. GDP grew by 5 per cent, inflation averaged 10.4 per cent and the budget deficit goal of 4.5 per cent of GDP is expected to be achieved by the end of the financial year in June as a result of sound fiscal management.

Net domestic credit grew by 7.2 per cent in 1988 and credit to the government decreased by 6.7 per cent. The current account deficit narrowed to 4.6 per cent of GDP.

To meet its balance of payments deficits, the government needs the concessional IMF and World Bank loans and the bilateral donor money which is conditional on implementation of structural adjustment policies. But the government is also sensitive to the political consequences of tough economic policies.

Zambia farm project financing completed

By Nicholas Woodsworth in Harare

A FINANCING package has been completed for a $40m cotton and wheat farming project in Zambia.

The deal, signed in in Washington after 18 months of negotiations, involves Masstock International – an Irish agricultural company with interests in Europe, the Middle East and China – as well as three US companies and four international development agencies.

Masstock has 63 per cent of the project. J.I. Case, the agricultural machinery supplier, and Valmont Industries, an irrigation equipment manufacturer, are providing equity participation of $1.25m and $0.6m respectively, while Pfizer is supplying $1.7m.

Further equity participation is being taken by the Commonwealth Development Corporation and local investors. The CDC and the International Finance Corporation, the commercial arm of the World Bank, are providing "income participation loans" totalling $2.7m.

The IFC is providing a commercial loan of $6.5m for the project. Further loan financing includes $6m from the US Overseas Private Investment Corporation, and $3m from the US Agency for International Development. Masstock hopes to pay much of its local currency costs with funds generated through the purchase of foreign debts sold at highly discounted rates.

The project, in Chiwa at the confluence of the Zambezi and Kafue Rivers, will use centre-pivot irrigation on 3,200 hectares. It is expected to produce 5,000 tonnes of cotton for export annually and 12,000 tonnes of wheat for local consumption.

Masstock is the latest foreign agricultural company to invest in high-tech projects in Zambia. Problems with management, land tenure and foreign exchange availability have hampered previous efforts.

But Mr Martin Flannery, the project's general manager, claims Masstock's extensive managerial experience in agricultural development in Saudi Arabia will allow the company to avoid others' mistakes.

Seoul and Moscow in shipping pact

SOUTH KOREA and the Soviet Union have agreed to open a direct shipping route between the southern Korean port of Pusan and the Soviet Far Eastern ports of Nakhodka and Vostochniy, APDJ reports from Seoul.

Yesterday's announcement came a day after the Soviet Union opened its first trade office in South Korea, becoming the third Communist country to do so, signalling warmer relations between South Korea and the Eastern bloc.

Hungary and Yugoslavia last year opened trade offices in Seoul and Poland and Bulgaria were expected to open Korean trade offices next month.

The Korea Maritime and Port Administration (KMPA) said documents for the projected direct liner service were signed in Moscow last Wednesday at the end of three days of bilateral talks.

They said Seoul was represented by KMPA's Maritime Transport Bureau chief Choi Jang-hwa, while Moscow was represented by Mr Vagin D. Konilov, director of the Foreign Relations Department of the Soviet Ministry of Merchant Fleet.

KMPA said, however, that both have yet to agree when service will begin and that the issue is expected to be settled in the latter half of this year when both sides are scheduled to meet again in Seoul.

Swapo supporters seek to shift blame for carnage on to the UN

Recent events indicate that the leadership in exile has seriously misread the situation on the ground, **Anthony Robinson** reports

AS fierce fighting continued yesterday in Northern Namibia and urgent diplomatic moves got under way to arrange a ceasefire, Swapo supporters at home and abroad sought to shift the blame for the massacre of its guerrillas on to the shoulders of the United Nations.

In New York, Mr Theo Ben-Gurirab, the Swapo foreign minister said bitterly: "Our people are being butchered under the United Nations flag."

In Windhoek the Namibian Council of Churches claimed: "The South Africans are holding the UN hostage with their scare tactics on impartiality."

In effect, the United Nations is being blamed for agreeing to the limited re-mobilisation of South African units to counter a 1,200-strong Swapo incursion which Swapo supporters either deny or insist took place only because they were expecting to be met by UN Transition Assistance Group forces who would allow them to assemble at bases in Namibia.

On Kaiser Street, the main thoroughfare of the capital of this former German colony, Swapo supporters lined the road outside UNTAG's temporary headquarters yesterday, carrying posters which ranged from, "We support our heroic Plan fighters" to "Ahtisaari, don't be fooled by Pienaar".

Mr Martti Ahtisaari is the United Nations secretary-general's representative, who is supposed to supervise the process leading to Namibian independence in tandem with Mr Louis Pienaar, Pretoria's Administrator-General.

Plan stands for the People's Liberation Army of Namibia, the military wing of the South West Africa People's Organisation (Swapo), whose incursion over the Angolan border since April 1 has led to the fiercest battles and gravest casualties of the entire 23-year war.

Among the dead were three senior Swapo commandos, police said. Mr Pik Botha, South Africa's Foreign Minister, yesterday asked Mr Pienaar to urge Mr Ahtisaari to place all available UNTAG units on the Angolan border.

The irony is that for years, the United Nations has championed the cause of Swapo, calling it the "sole and authentic representative of the Namibian people".

Events over the past few days indicate that Swapo's leadership in exile has seriously misread the situation on the ground.

The price is being paid by some of the estimated 7,500 armed Plan guerrillas who for years have lived in Angolan or Zambian camps, and who are in the thick of the fighting of the past few days.

Nor is all well within the ranks of Plan. There have been reports of mutinies in the camps and executions by Plan's feared security units. In February 1986, Swapo announced it had detained 100 people as suspected South African spies.

A poster issued by the Parents Committee of Namibia, now pasted up on many Windhoek walls, asks: "Swapo refuses to name these Namibians. Who are they? Where are they? Are they still alive?"

These are questions likely to haunt Swapo during the election campaign which lies ahead if the peace process can be brought back on track.

They are asked by many of Swapo's former middle-class supporters who have drifted away over the years in frustration at the inflexibility and lack of internal democracy of an organisation which has never held a formal congress, and whose central committee has become little more than a rubber stamp for a small leadership clique.

Formally headed by President Sam Nujoma, effective control of the organisation, dominated by the Ovambo people of Namibia – the majority tribe – is in the hands of a small group consisting of Mr Hidipo Hamutenya, the information minister, Peter Mueshihange, who holds the key defence portfolio, Dino Amambo, the Plan chief of Staff, and Mr Lucas Pohamba who looks after finances.

Although the scale of the current carnage in the north is unprecedented, and likely to get worse, Plan has been sending several hundred lightly-armed guerrillas south every year to almost certain death at the hands of the South African trained and well-equipped security forces.

"They came every year around the same time along the same bush trails and we killed them in the same places every year," a senior South African officer said at the Oshakati base as he poked with his foot at the pathetic pile of bloodstained uniforms and broken weapons garnered from the killing fields along the border this week.

"But they have always fought bravely and are fighting bravely now." The tragedy is that "if they had waited until May 15, left their weapons behind and come across peacefully as returning refugees, they could have walked across and fought for power peacefully at the elections."

The Plan death toll along the border has already edged up to the 200 level and South African commanders say hundreds more face a similar fate unless Swapo leaders accept the key South African pre-condition for acceptance of an UNTAG-monitored ceasefire.

That condition is Swapo agreement to repatriation to camps in Angola at least 250 kms from the border beyond the 16th Parallel as stipulated in the December 22 peace accord signed in New York.

Until now, Swapo has insisted that its forces should be allowed to remain in UNTAG-monitored camps inside Namibia. The longer it insists on this point, the more its men pinned down in northern Namibia will die.

Guerrilla leaders assess results of bungled operation

LEADERS of the South West Africa People's Organisation (Swapo) were last night assessing the consequences of a political and military operation which ended in disaster, Michael Holman writes.

The purpose of the infiltration of 1,200 guerrillas from Angola into Namibia was two-fold, say Western diplomats.

They accept the guerrillas had no plans to attack South African forces. Rather, the insurgents intended to gather under what they thought would be the protective banner of the UN monitoring force.

They would then claim they had emerged from operational bases within the territory – something Swapo has in fact not been able to establish – and enhance their status as an effective guerrilla force.

The second intention, according to this assessment, was to bury some of their weapons before taking advantage of the UN presence. These would then be available should the transition process break down. Rhodesian guerrillas adopted this tactic during the 1979-80 transition to independence.

Swapo's defence of the operation, emerging from officials in London, Harare and Luanda, appears confused and sometimes contradictory.

Some officials continue to maintain the fiction that the guerrillas were well established in northern Namibia, although the report on the fighting submitted to the UN Security Council makes clear they had infiltrated from Angola.

Swapo officials maintain that the complex documentation surrounding UN Resolution 435, the basis of the territory's settlement plan, provides for assembly of guerrillas within Namibia.

This is correct in theory, but Swapo officials must have known no provision had in fact been made. As a Swapo document issued in London this week puts it: "This issue was then fudged by senior UN officials and never resolved."

To order the guerrillas to act on the assumption they would receive safe conduct was a misjudgment of the reality on the ground. Further setbacks for Swapo may yet come.

It has been challenged to produce some 70,000 refugees from Namibia, for whom it has received funding from the UN and other bodies. Some reports suggest there may be no more than half this number.

IMF/WORLD BANK MEETINGS

The West takes a leap in the dark on debt

Peter Norman and Stephen Fidler analyse the attempt to solve the Third World lending crisis

WORLD BANK
WASHINGTON '89

THE agreement to put the financial muscle of the industrialised world behind cutting the developing world's debt burden is an attempt to put an intractable problem into a virtuous circle.

At first sight, the agreement yesterday of the International Monetary Fund's policy making Interim Committee for the IMF and World Bank to provide resources to facilitate debt reduction operations appears to be little more than an arcane modification in an already abstruse area of policy.

But the background to this week's decision, and the agreement to examine limited interest support for debt or debt service reduction, is dramatic enough.

This week's moves follow February's bloody riots in Venezuela, that left 300 dead and highlighted the growing economic, social and political strains in Latin America.

The agreement reflects the changing nature of the debt crisis in the six and a half years since Mexico shocked the world by announcing a moratorium on the payment of its commercial bank debt.

The good news is that the crisis is no longer perceived as a threat to the world's financial system. The banks, which lent so much to Latin American debtors in the 1970s, have rebuilt their balance sheets by provisioning against loan losses and increasing capital.

The bad news for Latin America is that the banks have also scaled back their financial exposure to the continent.

This, combined with the endemic problem of capital flight, has condemned countries like Mexico and Brazil to shortages of capital for investment and falling living standards. The economic crisis in Latin America has deprived the industrialised nations, and the US in particular, of trading opportunities. It poses a social and strategic threat in America's backyard.

Over the years, creditor nations have found themselves becoming more exposed in the debtor nations. Mr Nigel Lawson, the UK Chancellor, pointed out this week that the exposure of the commercial banks to the world's 15 most heavily indebted, mainly Latin American countries had increased by 17 per cent since 1982 while the exposure of creditor governments and international institutions like the IMF had risen 107 per cent.

The upshot, according to the Washington-based Institute of International Finance, which speaks for commercial banks, is that official creditors now hold 37 per cent of the total debt of these countries compared with 23 per cent.

For countries like the US, Japan, France and Canada, such figures override worries that debt reduction, backed by the IMF and World Bank, would be a bail-out of the banks, leading to a transfer of risk from private creditors to taxpayers of the industrial countries. Risk transfer, they say, is happening in any case.

Officially backed voluntary debt reduction would be subject to strict economic policy conditions set by the IMF, they say. It would therefore not only ease the financial burdens carried by the debtor nations but could enhance their creditworthiness so private creditors might once again be willing to lend new funds.

Fears of risk transfer have focussed on the idea of providing limited interest support for transactions involving debt or debt service reductions. This idea, which forms a key part of the debt initiative of US Treasury Secretary Mr Nicholas Brady, promises more for debtor nations than simple debt reduction because it would sharply reduce their debt service stream.

According to US plans, debt interest support would involve the supply by the IMF or World Bank of one year of interest on a rolling basis for a period of time. The money, to be placed in an escrow account, could only be used to pay interest owed by the debtor nation in the event of a default. US Treasury officials point out that both the IMF and World Bank have sufficient resources to fund such a scheme. It therefore offers a one year safety net to get a debtor nation back on track without a direct cost to the taxpayer.

The attractions for the US are considerable. It would obtain some protection against crisis in a strategically key area at little or no direct cost to itself.

In a significant victory for the US, the Brady bandwagon gathered force in Washington despite British objections and the reservations of many European central bankers. The IMF emerged as an enthusiastic collaborator with the US, and is already working on technical details with the World Bank. For Mr Lawson, who had a fairly miserable time in Washington, officially backed debt reduction should be no more than a catalyst to encourage the banks and their clients to enter negotiations on cutting the debt burden of developing nations and possibly providing new funds.

With the industrial countries on board, what about the two other elements in the equation?

In debtor countries, the proposals have been greeted as an important conceptual breakthrough that recognises ability to pay as a key element in the debt strategy.

The worry here is that the proposals may have aroused unsustainable expectations about the extent to which debtor countries will be able to reduce their debts. There is also the critical question of whether debtor governments will take the economic medicine necessary to ensure IMF and World Bank support for debt reduction.

Bringing the commercial banks on board remains a problem for several reasons. Privately, many bankers express deep reservations, some contending they are being used as instruments of US foreign policy.

"This is not a bail-out of the banks, but a bail-in," says Mr Horst Schulmann of the Institute of International Finance.

Many bankers doubt whether the proposed general waiver of clauses in loan documentation – to ease the way to debt reduction – will be achievable. Some of these waivers would require 100 per cent support from hundreds of banks.

Another question is whether what is on offer will be enough to induce banks to swap debt for bonds offering either lower interest or a reduction in principal. Banks will presumably be mindful of both the official guarantees and the increased credit-worthiness of the country that will result from debt reduction.

When Mexico arranged a bonds-for-loans swap late in 1987, the principal of the bonds was collateralised by 20-year zero coupon US Treasury paper. This was worth 17 cents on the dollar to the banks. Many banks felt this insufficient.

There are worries too whether new lending by banks – insisted upon as critical by the Interim Committee – will be forthcoming in the future without more official guarantees. However, it was the lack of new money from commercial banks which made the new stage of the debt crisis inevitable. It is also clearly in the banks' strategic interest to hold out for the best deal from the IMF and World Bank.

There are still many questions about how, in practical terms the ideas will work. Answers are not likely to be forthcoming in any grand statement of intent from the IMF and World Bank, but in the practical operations with specific countries such as Mexico and Venezuela.

Apart from informal estimates from the World Bank that it and the Fund should each provide $12bn, and the Japanese pledge of $4.5bn, it is not clear how much money will go into debt reduction. Without that – and this clearly depends on many unknown and unknowable variables – the extent to which the leap into the dark implied by the US proposals can induce the virtuous circle will not be clear.

DEBT REDUCTION

Country	Amount ($bn)†	Proportion of debt(%)
Bolivia	0.3	36.7
Philippines	0.7	5.0
Argentina	1.1	3.6
Chile	5.6	36.5
Brazil	7.5	9.7
Mexico	10.0	13.6

†Estimated face amount of cumulative voluntary bank debt reduction 1985-88
Source: Institute of International Finance

IMF DIARY

Gapology - jargon that makes the jaw drop

● **Wholly puzzling:** Gapology is the latest and possibly the ugliest word to try to make its way into international monetary jargon.

It was used with jaw dropping effect by Mr Gerhard Stoltenberg, the West German finance minister, at a meeting with journalists.

What does it mean? It is, apparently, the study of ways to enable the International Monetary Fund to speed financial support to hard-pressed debtor nations and so overcome the time gap that usually arises while the Fund is trying to gain finance for the debtors from other creditors.

● **Holy moves:** The IMF is proposing an unusual form of structural readjustment financing. It is offering to resite the church that takes up the only corner of the city block not occupied by the Fund's headquarters. The soup kitchen run by the Western Presbyterian Church adds spice to the social mix in the neighbourhood now dominated by huge office buildings. But the church's attendance is falling, and the IMF has offered to finance the resiting and rebuilding of the church in a more populous area of town.

● **Holey accounts:** The IMF's economics team seems to be losing ground in its battle against a mysterious enemy - the black hole in the world's current account figures.

The world is in current account deficit with itself – and the imbalance is growing. The deficit – the excess in the value of goods and services bought and interest payments made internationally over the goods and services sold and the interest received – peaked in 1982 at around $100bn.

It then fell progressively to $38bn by 1987, helped by a change in US reporting of its own current account. "We thought we were on the right track," said an official in the Fund's economic department.

But 1988 appears to have proved the optimism unfounded. The discrepancy grew to $78bn in 1988, and is projected tentatively to rise to $87bn this year and to $100bn in 1990.

Bérégovoy speaks out on the dollar

By Peter Riddell

THE finance ministers and central bank governors of the Group of Seven industrial nations believe it is better if the dollar does not go up, Mr Pierre Bérégovoy, the French Finance Minister, argued yesterday, adding a further comment to the group's communique issued late on Sunday.

He said the ministers agreed that if the dollar drops, it would be better if it did not drop too far. "The Group of Seven is saying that the movement shouldn't be erratic."

Mr Bérégovoy also commented on the reaffirmation of G7's willingness to co-operate closely on exchange markets. "There were some worries and some uncertainties, but these have dissipated."

Questioned about the fall in the dollar on Monday, he said: "You should not ask a socialist to assess market reaction, but it is a wise reaction."

On interest rates, Mr Bérégovoy said the high level of the US budget and current account deficits and the low level of US savings had created a drain on world savings.

"If we want to avoid a race on interest rates, we've got to eliminate the trade and capital account imbalances," he said.

But he said there was no real inflationary threat, except perhaps in the UK.

Mr Bérégovoy indicated that President Mitterrand's debt proposals for a new $19bn fund to help debtor countries financed by a special issue of IMF Special Drawing rights would be considered further by the executive board of the IMF with a report at the next meeting of the Interim Committee. But he conceded that a number of leading countries were opposed to this idea.

He said that, if the problem of debt service could be solved by the US proposals, he would be extremely pleased, but if not, France will bring up its plan again.

Pierre Bérégovoy: dollar should not be erratic

Year-end target set for decision on quotas

By Peter Riddell, US Editor, in Washington

THE policy-making Interim Committee of the International Monetary Fund yesterday set a target of the end of this year for deciding on an increase in IMF quotas, or membership subscriptions. Before then delicate questions have to be resolved on the size of the quota increase and, equally significant, its distribution.

IMF officials have called for a substantial increase, hinting at a possible doubling. Mr Michel Camdessus, its managing director, argued that a 50 per cent increase would be in line with economic growth since the previous rise: anything less and the IMF would shrink, especially given the proposed expansion in its role in debt reduction. France backs this line.

Japan and West Germany also support an increase, though for differing reasons. Mr Satoshi Sumita, the Governor of the Bank of Japan, argued strongly on Monday that Japan's quota share, the fifth largest, does not reflect its economic position. The Interim Committee communique yesterday said that any quota increase should "take into account changes in the world economy since the last review of quotas as well as members' relative positions in the world economy."

In practice, everyone recognises that Japan will become number two. But this means displacing Britain and a general change in relative quotas. The European countries naturally recognise Japan's increased economic power, but they argue that until now it has not behaved as a leader in policy discussions. The absence of the Japanese finance minister for the second successive series of meetings has not helped.

There is no agreement yet on the pecking order in Europe. Mr Pierre Bérégovoy, the French Finance Minister, remarked yesterday that he did not know how it would work out except that France would remain number four. Britain is the most cautious of the Europeans because of its reduced voting share and a reluctance to use taxpayers' money to bail out debtors.

West Germany supports a quota increase partly because it wants any expansion of official involvement in debt reduction channelled through the IMF as it is unwilling to follow Japan and promise increased bilateral support.

The US has until recently been opposed to a quota increase, but, outlining his new debt approach a month ago, Mr Nicholas Brady said implementation of the new efforts at debt reduction could "help lay the basis for an increase in IMF quotas."

However, US Treasury officials are careful to stress that for them the quota question is "not driven by the debt factor." On the US view the IMF already has sufficient resources to participate in debt reduction. Among other issues influencing the quota debate is their use by industrial countries, the possible increased involvement of the IMF with Eastern Europe, the IMF's use of borrowed resources and arrears of repayments, as well as debt.

Politically, there is also vocal opposition in Congress to a quota increase – to being seen to provide taxpayers' money to bail out the banks and imprudent debtors. So the administration has to tread carefully, establishing a track record with a number of agreements, notably with Mexico and Venezuela, to argue that a redirection of existing official resources assists debt reduction.

AMERICAN NEWS

Shamir vows to fend off US pressure on Israel

By Lionel Barber in Washington

MR Yitzhak Shamir, the Israeli Prime Minister, declaring himself "immune to pressure", arrived in the US yesterday at the start of a 10-day tour which will include a meeting tomorrow at the White House with President Bush.

Mr Shamir, 73, indicated his displeasure at Mr Bush's call this week for an end to the Israeli occupation of the West Bank and Gaza and a "properly structured" international peace conference.

Mr Bush's remarks - made after talks with President Hosni Mubarak of Egypt on Monday - stopped short of a shift in US policy but amounted to a warning shot across the bows of Mr Shamir to be more flexible in his approach to Middle East peace.

On the flight to New York from Tel Aviv, Mr Shamir told reporters that a peace conference "is a way to dictate to Israel to accept what no Israeli is willing to accept".

US officials said they expected Mr Shamir to be very tough in his public comments. But they hope he will be more forthcoming in private on ways to ease tensions in the occupied territories and break the regional deadlock.

Last week Mr Shamir floated the idea of elections in the occupied territories but declined to say whether these would be for municipal officials or representatives to peace talks.

This week Israeli officials dropped hints that the Israeli army would release hundreds of prisoners during Mr Shamir's US visit.

Mr Mubarak told President Bush on Monday that he opposed elections under Israeli supervision but he left open the possibility of a United Nations role. Yesterday, the Egyptian leader met Congressional leaders with a view to ensuring the flow of US aid - more than $2bn annually - and sounding out views on future arms sales to his country.

Washington strengthens airport security measures

By Lionel Barber

THE US has unveiled strengthened measures to improve security at international airports but it intends to maintain its policy of not publicising terrorist threats to airlines.

The new measures include the purchase of up to 100 hi-tech bomb detectors to be installed at high-risk airports in Europe and the Middle East. Federal Aviation Authority inspectors will visit these airports shortly to assist US carriers operating there.

The new rules follow the bombing of Pan Am Flight 103 which killed 270 people over Scotland last December. The bombing followed a series of government warnings about terrorist threats which were not made public until after the disaster.

Mr Samuel Skinner, Transportation Secretary, said the Administration continued to believe that public warnings of security threats were counter-productive and hampered effective intelligence work against terrorists.

The new rules require airlines to confirm within 24 hours that they have received government security bulletins and show within three days that they have taken necessary precautions. These actions will, however, remain secret – but they could include intensified screening of baggage.

The bomb detectors – known as thermal neutron devices – cost just under $1m each and are expected to take up to two years to introduce. The first device is scheduled to be installed at John F.Kennedy airport, New York, by June.

Mr Skinner refused to name the airports listed as high-risk in Europe and the Middle East or to specify the additional security measures he and the FAA expect airports to take in the event of a security bulletin.

Venezuela to withdraw subsidies on exchange

By Joe Mann in Caracas

MS EGLEE ITURBE, Venezuela's Minister of Finance, said in an interview yesterday the Central Bank would no longer provide foreign currency at subsidised exchange rates to cover interest and principal payments on Venezuela's private sector foreign debt.

She said the Government now expected private companies, which owe $4.06bn to banks and other institutions overseas as long-term obligations, to work out refinancing arrangements directly with their creditors.

The $4bn figure for private debt does not include more than $6bn in letters of credit owed to foreign creditors by Venezuelan importers. These letters of credit are another serious problem for Venezuela's private sector, since a devaluation of the Venezuelan bolivar last month sharply raised LC repayment costs for local companies.

The Government last week advised international creditor banks of its decision affecting the private debt issue, but Ms. Iturbe's statement marked the first time the government made its position public here.

In its message to creditor banks, the Government said the Central Bank would not provide any more foreign exchange to cover interest and principal payments on private external debt "until the Republic determines the appropriate mechanisms for managing this debt". This suggests the Government may subsequently offer some plan for helping private companies finance their foreign debt payments.

Venezuela's public sector external debt of $25.6bn and private external debt reached $4.06bn last year, the minister said, not including more than $6bn in letters of credit owed by Venezuelan importers.

The Government's decision on the $4bn portion of debt was not entirely unexpected, since it established a single, floating exchange rate for the Venezuelan bolivar to cover international transactions in March.

The Venezuelan Government also plans to sell "around 20 tonnes" of non-monetary gold to international clients in order to raise cash this year.

Mulroney to tackle unemployment insurance scheme

By David Owen in Toronto

CANADA'S much-criticised unemployment insurance programme is to be restructured during the second term of Mr Brian Mulroney's Government to place more emphasis on training and employment incentives.

The commitment was made by Ms Jeanne Sauve, Canada's Governor-General, in the Speech from the Throne to the combined House of Commons and Senate.

The speech also hinted at tough measures to address the federal budget deficit in the budget of Mr Michael Wilson, Finance Minister, which is expected later this month.

In a broad-ranging address, which devoted much attention to environmental matters, the Government confirmed that it would push ahead with a string of initiatives left unfinished from its first term in office. These include tax reform in the shape of a new national sales tax; financial services legislation; new bankruptcy laws; and further privatisations of Crown Corporations which "no longer serve a public policy role".

No mention was made of Canada's planned acquisition of nuclear submarines.

On the deficit, the Government described further progress as "a vital necessity if Canada's economic well-being is to be secured".

Pointing out that annual interest payments on accumulated debt are now consuming 31 cents of every C$1 of government revenues, it said that this is "putting pressure on Canada's ability to meet other priorities".

"In order to reverse this trend, expenditures must be reduced and revenues must cover the cost of programmes," the Government said.

Canada's deficit as a percentage of Gross National Product is one of the highest among major industrialised countries.

The economy is expected to grow more slowly than all the other major non-Communist industrial countries, the International Monetary Fund said yesterday, partly because of Canada's high fiscal deficit.

The IMF said the Canadian economy would grow by 2.9 per cent this year and 2.5 per cent in 1990, compared with 3.3 per cent and 2.9 per cent for the other Group of Seven industrial countries.

In the semi-annual world economic outlook report, the Fund also predicted Canada's balance of payments deficit would worsen over the next two years as its export-based economy cooled down.

Mr Wilson welcomed the IMF forecast of modest growth, saying slower growth would help cool inflation, the biggest threat to the economy.

● Statistics Canada said its composite leading indicator rose 0.5 per cent in January, AP-DJ reports from Ottawa. The agency said the January rise suggested that Canada's economy would continue to grow through the early part of 1989.

Argentina awaits devaluation of austral

By Gary Mead in Buenos Aires

Banks re-opened in Argentina yesterday but foreign exchange dealing remained suspended for the second consecutive day as the country awaited confirmation of a devaluation of the austral.

The devaluation is likely to be come in a package of economic measures announced today by Mr Juan Carlos Pugliese, the new Minister of Economy. Although he officially takes office today, news emerged yesterday of his immediate plans.

According to Mr Enrique Garcia Vazquez, who has taken over as president of the central bank, the Government intends a devaluation in the region of 20 per cent. The new official rate will be fixed at 20 australs to the US dollar, he said.

At the same time Argentina will return to two exchange rates, the commercial and the free, the latter finding its own market level against other currencies. Last week the unofficial austral rate hit a record of 53 to the dollar, a gap of 200 per cent with the government-fixed rate.

Mr Pugliese also plans to alter exchange rate rules for foreign trade, permitting exporters and importers to conduct 50 per cent of their business at the official rate and 50 per cent at the free-floating exchange rate. If the free-floating rate for the austral drops to its likely point of 40 to the dollar once markets re-open this morning the new rules will imply a 33 per cent devaluation for agricultural exporters and a 51 per cent devaluation for importers of all types of product.

Mr Vazquez said there would be no restrictions on foreign currency deposits held at the central bank and that all government-issued bonds would be paid in full when due. Last week saw an accelerating withdrawal of foreign currency, threatening a panic as central reserves fell below $1bn.

Mr Pugliese is also holding talks with manufacturers with the aim of persuading them to hold price increases below inflation, at least until the presidential election of May 14. Official inflation figures for March should be made known this week and will have strong influence on the immediate outcome of the new measures.

Ford disciplines staff over gifts from supplier

By Nick Garnett

SEVERAL employees of Ford in the US have been disciplined by the company for accepting excessive gratuities from a major equipment supplier.

The gifts were made in the late 1970s and early 1980s by employees of Lamb Technicon, a supplier of production line machinery for making engines and engine components.

Ford said yesterday: "Some employees have been disciplined for accepting gratuities in violation of the company's standards. We believe it is a matter between the company and the employees involved."

General Motors is believed to have investigated similar allegations last year involving the same supplier.

Lamb, based in Warren, Michigan, was bought in 1987 by Litton Industries. Previously it was a private company.

Litton said yesterday that since acquiring Lamb it had cut Lamb's entertainment and travel budget by 80 per cent to comply with its customers' standards of conduct.

Litton has declined to comment on what gifts were made. But a senior manager said suggestions that the gifts involved as much as $2.5m, as well as boats and condominiums, were not correct.

Ford said yesterday that employees were not allowed to accept gifts worth more than $25.

Lamb is involved in several big projects with Ford, including a $120m machining system at its engine plant in Bridgend, South Wales.

Avril permits leaders of failed coup to leave Haiti

HAITI'S military government, which survived a coup attempt on Sunday, has allowed the leaders of the uprising to leave for the US, the government said yesterday, Reuter reports from Port-au-Prince.

The capital, Port-au-Prince, was calm yesterday after shooting overnight in the southern suburb of Delmas near the headquarters of the Leopards Battalion. About 140 soldiers from the battalion had continued the uprising on Monday, threatening to reduce the city to ashes unless their commander, Col Himmler Rebus, was released by the government of General Prosper Avril.

The Government said Col Rebus and two others involved in the coup attempt were being allowed to leave Haiti. "President Avril, in order to return to a normal situation, has in a magnanimous gesture authorised ex-officers Philippe Biamby, Leonce Colleau and Himmler Rebus to leave Haiti," it said.

The Ministry of Information said all three had left for the Dominican Republic. Haiti and the Dominican Republic share the Caribbean island of Hispaniola. The ministry said they would travel on to the US.

Port-au-Prince remained tense yesterday and schools and the airport stayed shut.

The coup attempt came after four senior officers suspected of drug trafficking were forced to resign last week. Washington has provided assistance to Gen Avril's anti-drug campaign but has yet to resume direct aid to the country, cut off after violent elections in November 1987.

High interest rate policy lifts Brazil's debt costs

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S high interest rate policy has massively raised the cost of servicing its escalating internal debt, forcing the Government to abandon its ambitious goal of balancing its budget this year.

Official Central Bank figures estimate the total stock of issued paper to exceed $100bn, up from $85bn two months ago and not far short of the country's total foreign debt liabilities, calculated at between $115bn and $120bn.

According to reports, Mr Joao Batista de Abreu, the Planning Minister, is forecasting a substantial operational deficit of 5 per cent of gross domestic product.

That is three percentage points above the target figure agreed with the International Monetary Fund under the debt rescheduling agreement completed in September last year. Mr Mailson da Nobrega, Brazil's Finance Minister, adopted a high interest rate policy as a central plank in the January package, intending to tighten consumer credit, squeeze out inflationary expectations and prevent a potentially catastrophic flight from the New Cruzado currency into gold, dollars and other assets.

But the cost of rates exceeding 15 per cent per month in real terms has fallen heavily on the Treasury, forcing the Central Bank, according to one report, to issue NCz11bn in Letras Financeiras de Tesoro (LFT) treasury bills in March alone.

Official exchange rates give the New Cruzado parity with the US dollar.

WORLD TRADE NEWS

Norwegian ship magnate places $700m orders

By Karen Fossli in Oslo

MR JOHN FREDRIKSEN, the elusive Norwegian shipping magnate whose enormous success and wealth have been built from buying and selling commercial vessels "at the right time", has placed orders worth around $700m with shipyards around the world.

Mr Morten Kristiansen, managing director of Oslo-based SeaTeam, a member of the Fredriksen group of companies, said yesterday the orders are for a mix of crude tankers, product tankers and chemical/gas carriers.

Mr Kristiansen said the order underscored Mr Fredriksen's belief that the shipping industry will hit new peaks in the 1990s. By placing contracts now, the Fredriksen group of companies will be prepared to meet the requirements of the industry's upsurge without *being "caught out" by a lack of* worldwide shipbuilding capacity, he said.

Mr Kristiansen said the orders were placed by Cyprus-based Sea Tankers Management, one of Mr Fredriksen's many companies, but he refused to be drawn on details of the financing arrangements. All he would say was that Bankers Trust of London was Mr Fredriksen's banker.

Most of the orders have associated purchase options for additional vessels while others are new building contracts originally placed by other companies but taken over by companies controlled by Mr Fredriksen.

According to Mr Kristiansen the orders comprise: three 270,000 dwt VLCCs from Japan's Hitachi yard for delivery in 1990-1991, valued at about $210m; two 290,000 dwt VLCCs from an unnamed South Korean shipyard for delivery in 1990-1991, worth around $150m; two 140,000 dwt Suez-maxi ships, which have a maximum crude oil carrying capacity of 1m barrels, from an unnamed yard in Spain, valued *at about $100m.*

In addition Mr Fredriksen is ordering two 60,000 dwt so-called double-skin tankers from an unnamed Soviet yard, valued at around $50m; at least three 40,000 dwt product carriers, with additional purchase options for "several" more, from the Yugoslavian Mosor yard, valued at $75m; two sophisticated chemical/gas carriers each with capacity of 12,000 cubic metres, valued at about $100m.

Little is known in detail about Mr Fredriksen's business interests. He lives anonymously and trades in industrial ship tonnage through business associates within his group who work on his behalf. He is said to own one of the largest and most modern fleets of industrial ships in the world and to maintain excellent relations with several of the world's largest oil companies.

At the turn of the year he sold eight sophisticated chemical carriers for $200m to Storli, a Norwegian shipping company owned by the Odfjell shipping group. These ships will be managed by the Odfjell/*Westfall Larsen shipping* pool.

In addition, he sold six so-called OBO combo-carriers to Broevig, another Norwegian shipping interest, for over $110m. Last month an additional OBO was bought from Fredriksen by Broevig for about $14.5m.

Gatt talks depend on quick farm aid freeze

By William Dullforce and Peter Montagnon in Geneva

DIFFERENCES over how to apply an immediate freeze on agricultural support have become the main focus of concern at the resumed Uruguay Round trade talks which reopen formally in Geneva today.

Delegates said there is now a growing convergence on long term goals for world farm reform, but the need to back this up with an immediate freeze on government support poses technical problems on which the European Community and the US are still far apart. "We are sitting on different branches of the tree," said one European official yesterday.

The EC is insisting on the use of an aggregate measure of support as a yardstick for an overall limit to support while the US, backed by the 13-nation Cairns group of independent farm producers, wants the freeze to apply specifically and individually to each commodity.

Delegates said agreement on agriculture is vital to get the Uruguay Round of multilateral trade talks, stalled since last December's Montreal trade ministers meeting, back on the rails.

Intense difficulties are also looming over intellectual property rights and textiles, but it is openly acknowledged farm reform is the key to consensus on a complete package.

US refusal to submit its set-aside programme, under which farmers are paid to take land out of production, to the freeze poses a further difficulty.

Last year Washington reduced its strategic grain reserves by 40 per cent, to provide food aid for people in famine areas and "we need to know what the crop will be this year before we can decide on set-asides", the official said.

In a compromise proposal, aimed at satisfying the hard-line Cairns group, the EC has offered to accept further unspecified cutbacks in farm protection levels in 1990, when countries would be free to choose which of the two measuring instruments they would use.

The only major issues still separating the EC from the US countries over long-term reform are the Community's insistence that it be allowed to "rebalance" reductions in support on some commodities by increased protection for others and the US demand for farm trade barriers to be converted into tariffs.

Delegates said they thought a compromise on these issues was possible this week, but another hurdle has to be taken over intellectual property rights (IPR), where the US is at loggerheads with a group of developing countries, led by Brazil and India.

Washington wants a clear commitment from everyone to negotiate an IPR protection agreement base on solid principles and enforcement practices. Brazil and India are maintaining their stand that Gatt is the wrong forum to handle IPR.

Coca-Cola sweetener for India

By David Housego in New Delhi

COCA-COLA, the US soft drinks group, is sweetening its controversial proposal for a new manufacturing plant in India with an offer to assist India's balance of payments through further exports.

The group announced yesterday that it had placed a $1.24m (£729,000) order with an Indian company for bottles to be supplied to its Bangladesh operation in advance of any decision by the Indian government over Coca Cola's manufacturing proposal.

"We have done this as a gesture of good faith," said Mr Stuart Eastwood, Coca-Cola's director of business development for the region. The company was considering a range of other purchases from India, including coolers, dispensers, fruit pulp and garments.

A decision on the Coca-Cola proposal is hanging fire because of strong opposition from some members of the Indian government. It is also being fought by Pepsico which was forced to make a far more costly $15m agro-business investment to gain access to the Indian market.

Coca-Cola, which wound up its operations in India in 1978, is seeking to come back through a $2m fully-owned investment in a manufacturing plant in the Noida export processing zone outside Delhi.

Under current Indian regulations, Coca-Cola would be allowed to sell about 25 per cent of the concentrate – worth about Rs80m over five years – on the local market. Other soft-drink manufacturers believe this could give Coca-Cola 10 per cent of the Indian soft drink market.

While the Commerce Ministry wants to approve the Coca-Cola proposal, the Industry Ministry and others see it as an abuse of the export processing zone regulations.

Pepsico, which initially threatened to halt its own venture because of what it considered an unfair advantage to Coca-Cola, has since proposed setting up a fully-owned Rs73m facility of its own in another export zone.

Coca-Cola hopes its export offer will help tip the balance with the Indian government. However Pepsico says that it will be making Rs200m-worth of exports from India this year of tea spices, shrimps and seeds, even before its agro-business becomes operational.

HK orders 8 Sikorsky helicopters

THE Hong Kong government has placed a $54m order with Sikorsky Aircraft, part of United Technologies, for eight S-76 helicopters to be used by the colony's Auxiliary Air Force, John Elliott reports from Hong Kong.

The order includes five general purpose helicopters and three search and rescue variants plus an option for four general purpose aircraft.

This will strengthen the Auxiliary Air Force's role and enable it to take over some duties at present carried out by the British Army and Royal *Air Force whose activities are* to be run down in advance of Hong Kong reverting to Chinese sovereignty in 1997. They will arrive between 1990 and 1992 and will replace three existing Dauphin helicopters.

World Bank approval for UK-backed venture

By Peter Montagnon, World Trade Editor

THE World Bank has approved finance for a $335m (£199m) water supply and sewerage project in Karachi which could become the first contract to be financed jointly with the UK Government.

Under the 1986 co-financing agreement, the Government planned to contribute aid money to World Bank projects in developing countries, with the aim of encouraging UK companies to bid for more lucrative World Bank contracts. Although contracts still have to be subjected to international competitive bidding, *additional exports for Britain* could amount to £200m.

The World Bank will provide $125m for the Karachi project, through soft-loan affiliate the International Development Association. Britain's Overseas Development Administration is offering a total of £7.7m.

Part of the ODA funds, amounting to £1.5m, have been earmarked for technical co-operation work through consultants Sir Murdo MacDonald and Partners and Balfour Beatty. Businessmen believe their involvement could boost UK suppliers' chances of winning business.

The remainder is in the form of a grant of £6.2m, intended to soften the terms of a loan from the Commonwealth Development Corporation.

The Government of Pakistan *has accepted the idea* of co-financing, but a remaining hurdle is thought to be commercial negotiations between members of a UK consortium led by Portals Water Treatment for work on the project.

South Korea cleans up its image

Maggie Ford in Seoul on preparations for the challenge of 1992

THE SPECTRE of fortress Europe after 1992 is forcing South Korean policymakers to re-evaluate their international trade strategy and to consider changing the country's image.

Long used to dealing with *trade disputes in the US, where* lobbying individual Congressmen representing interest groups is often the key to success, Seoul officials have been shocked by a continuing stream of anti-dumping suits emanating from the apparently *monolithic* European Commission.

Unfamiliarity with the institution and with the various national and sectoral interests involved, has led to a number of mistakes in dealing with the EC, business executives heard at a recent seminar in Seoul.

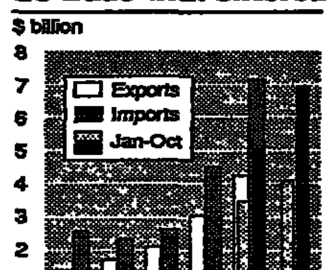
The executives listened in silence as speakers from the UK law firm Sinclair, Roche and Temperley spelled out the almost unlimited powers held by the Commission to restrict imports and force compliance with investment rules, sometimes in quite arbitrary ways.

Warned that they were unlikely to be helped by recourse to the law, the exporters were advised that much more sophisticated action is required by companies and government in South Korea if they are to avoid future action against them.

The law firm advised the South Koreans to co-operate fully with the EC on present*ing financial* information on a dumping complaint, and to try to prove that even if imports were landed at dumped prices, there was no injury to Community producers.

EC trade with S.Korea

$ billion



Source: OECD Foreign Trade Statistics

Consumer groups, such as the European shippers who supported Hyundai Merchant Marine in its battle against a complaint of dumping on freight rates could be a source of support, the law firm said. Companies should band together with the Government to lobby for better treatment.

The Seoul government is already considering ways to improve relations with the European Community and to counter the growing perception in Europe that South Korea is a second Japan.

This perception arises partly because of the developing country's natural tendency to show off its best points. A typical foreign businessman's visit to Seoul would include a trip to Posco followed by a tour of Ulsan, the Hyundai group's company town producing everything from motor cars to giant oil tankers.

A visit to one of the big electronics companies might follow where thousands of girls will be seen churning out semiconductors *or computers. The tour* may be accompanied by a professionally produced video *detailing* the company's huge expansion, its dozens of subsidiaries and the breadth of its industrial involvement.

Whisked from luxury hotel to skyscraper office to smart restaurant by chauffer-driven locally-made car, the visitor will certainly be impressed by South Korea's economic progress. But he may also feel that this industrial powerhouse is a potential threat which must be closely watched.

South Korean officials would, however, have no difficulty in showing visitors the country's dark side, inevitable when per capita gross national product is well below that of Japan, for example.

Seoul has its share of shanty dwellers and an increasing problem of urban and rural poverty, homelessness and overcrowding, mainly because *the country has* devoted so many resources to industrial development at the expense of meeting social needs.

But officials face a political problem in their efforts to show a more balanced picture of the country to Europeans. For 40 years South Korea has been engaged in an international diplomatic competition with communist North Korea, focussing on whose system is best.

As a result, the Seoul Government has made strong efforts to stop foreign journalists writing unflattering articles about the country and to hide bad points from foreigners, lest its international image deteriorate.

One Foreign Ministry official also pointed out that if the less successful aspects of the South were highlighted, this would simply provide an *opportunity* for the North to use the material as anti-South propaganda.

The move towards democracy in South Korea, along with foreign trade pressure, has forced the Government to moderate its export drive policy and focus on domestic *development, a change which* is now showing up in lower trade surpluses.

It is also opening and liberalising its market more quickly and at an earlier stage than Japan did. Growing signs of a thaw in relations between North and South Korea may reduce the historical political problem.

But until South Koreans, both at official and personal level, realise that excessive pride in their undoubted achievements is creating a counterproductive impression abroad, a more balanced picture of the nation will not emerge.

The result is likely to be the continuous application of unrelenting trade pressure, of a *kind* which Seoul has experienced – and in many cases successfully fought off – for several years from Washington.

Now the pressure is coming from Europe, shortly to become the *world's biggest* market and one which South Korea has only just started to penetrate. Seoul officials and businessmen are beginning to realise just how ill-equipped they are to resist.

AN OPEN LETTER TO THE PUBLIC

On March 24, in the early morning hours, a disastrous accident happened in the waters of Prince William Sound, Alaska. By now you all know that our tanker, the Exxon Valdez, hit a submerged reef and lost 240,000 barrels of oil into the waters of the Sound.

We believe that Exxon has moved swiftly and competently to minimize the effect this oil will have on the environment, fish and other wildlife. Further, I hope that you know we have already committed several hundred people to work on the cleanup. We also will meet our obligations to all those who have suffered damage from the spill.

Finally, and most importantly, I want to tell you how sorry I am that this accident took place. We at Exxon are especially sympathetic to the residents of Valdez and the people of the State of Alaska. We cannot, of course, undo what has been done. But I can assure you that since March 24, the accident has been receiving our full attention and will continue to do so.

L. G. Rawl
Chairman

EXXON

JOBS

Why applicants do best to state their pay

By Michael Dixon

THE ULTIMATE in risk-aversion is to commit suicide to make certain of not being murdered. And sad though it be to say so, upwards of three dozen of this column's readers in four countries are evidently edging towards *that terminal mentality*.

They are among the nearly 150 of you who have responded to my sermon eight weeks ago urging job-seekers to be considerate to recruiters by ensuring that their applications are free from careless errors or other interest-killing faults.

Most of the responses fall into one of two categories. The first and bigger consists of seething would-be recruits who see no reason to pander to recruiters when most of those they contact send back only a mass-produced letter declaring them "unsuitable" if bothering to reply at all.

The second group consists of recruiters likewise convinced that people on the other side of the jobs market are mostly not only stupid but arrogant to boot. "Does it never dawn on them, before they complain of getting no answers to their applications, that the Post Office may not have delivered them in the first place?," snorts one.

But the aforesaid three-dozen-plus are different. Instead of just letting off steam, they seek to clear the air by disputing a particular claim made in my homily of February 8. It was that job-applications should always state the applicant's most recent pay level.

The objections the 38 *make to that claim* are typified by the arguments of a reader in the United States who says that disclosure of salaries should be governed by tit-for-tat. If the recruiter states a pay figure for the job on offer, then applicants should state their pay in return. But if the recruiter fails to give a figure, it must be assumed that the pay is open to negotiation. In which case applicants who initially *disclose* their earnings are giving up a bargaining counter to the other side.

So when answering an advertisement stating merely *that* pay for the prospective job is in line with its duties, applicants should just say their pay is (or is not) in line with their current duties.

Now, I've no doubt that recruiters who are smugly reticent about such key details deserve to be repaid in their own gimcrack coin. Moreover, if every applicant did as the US-based reader suggests and employers learned the lesson, they would benefit. For a survey of over 1,000 job-seekers which was made last year by Price Waterhouse found that 64 per cent were unlikely to reply to any advertisement failing to cite a pay figure.

The trouble is that not only are recruiters evidently slow to learn but, from what *they tell me, the great bulk* of applications not stating current earnings are binned instantly. So applicants who fudge the pay issue give themselves an even smaller chance of getting the job than employers who do the same have of attracting the best candidate available.

Since it is futile to hang onto a bargaining counter at the cost of being excluded from the game altogether, I stick to my *original* claim.

The table

ALONGSIDE, for the 15th successive year, appear the latest indicators of managers' pay in Britain from the the regular surveys made by the Reward consultancy. The most recent study covered over 1,000 widely assorted companies. Anyone wanting the full report should contact Bill Couldrey at Reward House, Diamond Way, Stone, Staffordshire ST15 0SD; tel 0785 813566, fax 0785 817007.

My table refers only to managers ranked directly below board-level. The first pair of columns of figures give the basic salary then the total money rewards — including bonuses but not pensions or the value of in-kind perks like cars — of the *lower quartile* person who would come a quarter way up from the bottom of a ranking of all in the same job category. The next four columns relate to the *median* manager half-way in the ranking, and besides the new figures give those from 12 months before. The final pair give the 1989 results for the *upper quartile* person quarter way down the ranking.

To compensate for time gone by since the data was gathered, all figures should be increased by 2 per cent. Regional variations from the overall median of £22,400 were: *Higher* — London by 18.3 per cent, South-east England by 4.6, and Scotland by 4.1. *Lower* — North-west by 3.9 per cent, North-east by 8.6, Eastern Counties and South-west by 10.7, and West Midlands by 14.

Variances by company sales were: *Higher* — over £100m by 20.5 per cent, £40m-£100m by 7.1. *Lower* — £15m-£40m by 2.0, £5m-£15m by 9.0, up to £5m by 14.3.

	LOWER QUARTILE		MEDIAN				UPPER QUARTILE	
Rank One = *Most senior executive below rank of director* in:*	Basic salary £	Total money reward £	Basic salary £	Total money reward £	(Basic year earlier) £	(Total year earlier) £	Basic salary £	Total money reward £
General management	22,000	22,350	26,000	27,500	(24,586)	(26,025)	34,120	35,916
Legal advice	23,452	23,775	28,537	28,537	(25,824)	(25,875)	34,151	35,013
Company secretariat	21,000	21,320	24,075	26,189	(21,000)	(22,025)	31,625	33,093
Scientific department	20,153	20,153	22,783	22,995	(22,295)	(22,569)	29,243	30,350
Advertising & PR	24,059	25,000	27,943	28,400	(24,250)	(26,000)	30,300	30,300
Finance & accounting	20,988	21,849	24,370	25,000	(22,022)	(23,000)	29,000	30,000
Marketing	*20,000*	*20,498*	*23,742*	*24,700*	*(21,842)*	*(22,310)*	*27,825*	*29,467*
Personnel	19,800	20,250	23,000	23,500	(20,244)	(21,200)	27,500	28,600
Data processing	19,000	19,396	22,966	23,410	(21,000)	(21,093)	27,000	28,201
Management services	17,875	18,500	21,330	21,500	(18,632)	(19,180)	26,813	27,918
Sales	19,176	19,966	22,025	23,180	(20,000)	(21,000)	26,000	27,738
Administration	19,913	20,025	22,000	23,343	(20,000)	(20,174)	26,824	27,533
Distribution	18,956	18,956	21,416	22,374	(19,386)	(20,360)	24,864	27,045
Research & development	17,542	18,000	21,400	21,900	(20,000)	(20,449)	24,806	26,000
Engineering	18,000	18,344	21,458	21,601	(18,975)	(19,335)	25,002	25,725
Purchasing	18,492	19,000	21,000	21,601	(19,075)	(19,215)	23,700	25,200
Production	17,250	17,592	20,417	20,763	(18,477)	(19,070)	23,330	24,549
Quality assurance	18,425	18,532	20,034	20,404	(18,857)	(19,172)	23,000	24,166
Surveying/architecture	16,000	16,500	18,000	18,000	(18,359)	(18,359)	21,030	21,600
All Rank-One managers	19,026	—	22,400	—	(20,259)	(—)	27,000	—

* In small companies could rank as director, otherwise reporting directly to board-member.

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NORWICH UNION

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INTERNATIONAL APPOINTMENTS

TECHNOLOGY

FT writers explain why modern techniques failed to contain the Exxon Valdez oil disaster

Like taking a sponge to a flooded basement

The 10m gallon oil spillage from the Exxon Valdez tanker in Alaska has focused attention on the methods used by oil companies to deal with such disasters.

Although efforts to stem the pollution from the Valdez appear largely ineffectual, work is going on to develop a better procedure for such emergencies and to improve the cleaning techniques.

Since the Torrey Canyon disaster off the south coast of Britain in 1967, oil companies have sunk millions of pounds into developing better methods of dealing with oil spills. The four most effective are:

- collecting the oil using booms and skimmers;
- burning;
- chemical dispersants;
- naturally ocurring microbes.

Choosing the correct method to deal with each oil spill is like choosing the correct golf club from a golf bag, says Keith Cameron, environmental engineer at British Petroleum's group environmental services.

If the oil slick is attacked quickly it can be contained. Booms up to 600 metres long are used, with an inflatable rim and an underwater skirt to prevent the oil spreading.

This enables the oil to be removed by skimmers, such as a rope mop. This circle of rope absorbs the oil but not the water. When saturated, it is pulled through a mangle to squeeze out the oil.

More sophisticated devices have hundreds of rotating plastic discs which attract oil but not water, or involve floating scoops which skim off the oil.

Skimming is most effective in sheltered areas. In rough and windy conditions, the oil is churned under the skirt of the boom and quickly mixes with the water.

Although burning seems an obvious solution, it is now treated with scepticism by many experts because it leaves a sticky residue which is more difficult to deal with than the oil itself. It is also hard to ensure complete combustion because when the oil is exposed to sunlight, the light flammable parts evaporate, leaving heavier oil which is more difficult to burn. The sea also acts as a heat sink, quickly drawing the heat out of the flames and extinguishing them.

A preferred method is to use chemical dispersants to break down the oil so that it can be eaten by microbes. These creatures live on the 3m tons of oil which seep through the sea bed each year.

The two components of dispersants are: a solvent which penetrates the oil and acts as a carrier for the second ingredient, the surface active agent. The agent breaks down the oil slick into droplets which are then dispersed by the tide.

Dispersants sink the oil up to a metre below the surface. But this causes a different sort of problem, says Ian White, managing director of the London-based International Tanker Owners' Pollution Federation. "At the end of the day you have to make the decision: is the best solution to get the oil away from the surface to save the otters, knowing that it could be at the expense of the marine life and the fish?"

In recent years, hopes have been raised that oil slicks could be tackled by sprinkling large numbers of commercially farmed microbes directly on to them. But the microbes need extra doses of oxygen, nitrogen and phosphates in order to be fully activated and that combination is too difficult to control if the slick is anything other than small and sheltered.

More promising are a clutch of new chemical compounds such as gelling agents, which form a lattice-like sponge holding the oil together until it can be collected. Although effective for small spills, the amount of chemical needed to do the job – up to half the quantity of oil – makes it impracticable for large-scale use.

Making the shoreline impervious to oil is another approach. For inland spills, chemical coatings can be sprayed on to the rocks or beach to repel the oil. But, again, this has so far proved ineffective on exposed coastlines pounded by waves.

More useful in sea disasters are mousse breakers, so named because they deal with the churned-up combination of oil and water which resembles a mousse dessert.

Perhaps the most promising development is a chemical based on chewing gum. Designed in the US for use with skimmers, the chemical makes the oil more elastic. This means that as the oil is retrieved, more oil sticks to it and is pulled in as well.

Although such chemical developments will be crucial to the effective handling of oil slicks in the future, experts agree that a quick response is even more vital – and that involves rapid communications.

For the first time, rescue teams in Alaska are using communications technology which in the past has been the domain of television broadcasters and the military. Last Wednesday, satellite dishes and related electronics were flown out from the UK to enable instant telephone, telex and facsimile messages to be sent from the rescue ships to base via an Inmarsat satellite.

Della Bradshaw

A rescue worker scrubs the oil-soaked rocks on Naked island in Prince William Sound

The reasons why the clean-up effort has proved so ineffectual in the case of the Exxon Valdez disaster range from bad timing to the chemical composition of the oil itself.

Effective treatment of a slick this size – whether by skimming, burning or using chemical dispersants – depends on attacking it early, while the oil is in a concentrated form.

In this case, it was 10 hours before the clean-up effort began in earnest. This was partly because of the remoteness of the site and partly because the accident happened over the Easter weekend, making it difficult to contact the appropriate authorities to receive clearance, for example, for surface burning.

According to Mervin Fingas, an expert in emergency environmental technology with Environment Canada, oil must be at least 2 mm thick to be burnt. In the case of the Exxon Valdez slick, he says, "it was more than that for the first 30 hours," but then it spread too thinly and ceased to be pure enough.

Efforts to combat the slick with floating booms and skimming vessels were hampered by bad weather. In any event, skimming is a painfully slow process. At speeds of more than ¾ of a knot, oil begins to slide underneath the skimming vessels, according to Fingas.

He likens the use of skimmers to clean up this slick to using a sponge in a flooded basement. By Saturday, eight days after the Good Friday spillage, less than 5 per cent of the oil had been recovered.

Chemical dispersants were also tried, despite concern that they might harm marine life. They too made little impact on the slick, partly because of the chemical composition of the Prudhoe Bay oil that the vessel was carrying.

According to Fingas, Prudhoe Bay oil contains heavier hydrocarbons than most other North American crudes. This increases viscosity and makes the oil three to four times more difficult to disperse, either chemically or mechanically.

In addition, within two days of a spill, the oil starts to form a mousse or butter-like emulsion composed of nine parts water to one part oil. This mousse is peculiarly intractable to treatment by any of the methods outlined above.

With attempts to use microbes to break down slicks so far proving unsuccessful, Fingas says that "nothing revolutionary" in the field of oil clean-up technology is on the horizon. "Progress in the oil spill business comes in small increments," he says.

David Owen

Companion film to sharpen up the amateur's pictures

By Clive Cookson

THIS month Kodak, the US photographic company, will extend its Ektar range of colour films, which many enthusiasts say give the sharpest pictures of any commercially available 35 mm prints.

The original Ektar films, launched last October, were at the two extremes of the colour sensitivity range. One is Ektar 25, a slow film for use in bright light. The other, Ektar 1000, is a sensitive film for low lighting.

Kodak is now set to launch a companion Ektar film in the general purpose 100 to 200 ASA range favoured by most amateur photographers.

The company says that it has brought together several technical and manufacturing improvements to give greater clarity and better colour reproduction than conventional Kodacolor films.

The T-grains, light-sensitive particles of silver halide which capture the image on the film, are smaller and flatter than before. T-grains (T stands for tabular) were first used in Kodak's high-speed colour negative films in 1982, to replace the traditional cubic grains of silver halide. They were redesigned to give Ektar a less "grainy" appearance.

The couplers, chemicals which give rise to the colour dyes in the film, are more efficient. As a result Ektar 25 requires fewer layers of emulsion than a conventional film (it has nine layers compared with 12 in Kodacolor Gold 100). This produces a thinner film which scatters less light, so producing sharper images.

The order of the layers has been changed in Ektar 1000, so that less light is lost before it reaches the fast red-sensitive layer. The result is better "colour saturation" than other films in the same speed range. This shows up particularly under artificial lighting, when it makes the blue tones in the shadows look more natural.

Computerised production processes have been introduced for the new films and the chemicals that go into them. "A tiny imperfection, lost in the grain of a general-purpose film, would stand out sharply given the extreme enlargement some Ektar 25 negatives will undergo," says Gary Einhaus, who leads the development team. "We had to develop emulsion manufacturing equipment with the Ektar films in mind."

Statistical process control is used to ensure that production quality is maintained. For example, representative samples of emulsion are scanned with an electron microscope to show whether the individual silver halide grains – less than one micron (millionth of a metre) in diameter – are the correct size and shape.

Kodak emphasises that the Ektar films are intended for "serious" amateur photographers with good quality, single lens reflex (SLR) cameras. They give superb results if the exposure settings are just right, but are much less tolerant than conventional films of the mistakes made by "point and snap" photographers using cheap cameras.

Tony Kaye, a Kodak technical expert, says that the camera setting must be accurate to within one stop to give a good picture with Ektar 25. An ordinary Kodacolor film, on the other hand, will tolerate under-exposure by two stops or over-exposure by three stops.

Trials seek to tie up a natural way to prevent pests from mating

By Christina Lamb

A NEW one-application device that protects cotton against the bollworm larva by releasing chemicals to prevent the adult moths from mating has been undergoing trials in Pakistan.

The chemicals used are pheromones, which are put out by the female moths to attract males. In the new device, developed by British researchers and produced by Mitsubishi of Japan, pheromones are contained in plastic twist ties similar to those used to seal freezer bags.

Once the ties are attached to the cotton plant, the pheromones are released from the ties in such concentration that the whole field is saturated. Consequently, the male cannot tell where the female is, thus stopping breeding. The process also immobilises the female, making her a sitting target for predators.

A three and a half year project has just been completed in Punjab. Researchers from the natural resources institute of the British Overseas Development Administration played a key role, with funding from the United Nations Food and Agriculture Organisation and the assistance of Pakistan's Central Cotton Committee.

Work on biological control of pests using pheromones initially started in the 1970s, in the US, with the pink bollworm. After successful tests in Egypt, several agrochemicals companies began producing the pink pheromone commercially, with different methods of application.

ICI developed a spray, which must be applied every 10 to 14 days. Sandoz produced a micro-encapsulated formulation – hollow fibres that must be glued on to the plant, also every 10 to 14 days. It was Mitsubishi which came up with twist ties that could be attached just once for the season.

In Pakistan, one of the world's largest cotton exporters, cotton is attacked by the spiny and spotted bollworms as well as the pink variety. The levels of the former two have been particularly high recently and so far they have had to be controlled with insecticides.

John Sutherland, director of the project, says that pheromones are ecologically preferable because they target a particular pest. Most insecticides also kill beneficial insects which keep other pests, such as white fly, at bay.

However, the very selectivity of pheromones has deterred agrochemicals companies from taking up biological control unless the targeted pest is very widespread. Thus the British researchers worked on pheromones for the spiny and spotted bollworms which Mitsubishi could incorporate into its twist ties.

The aim is that the twist ties pioneered in Pakistan will work against all three types of bollworm.

Sutherland says of the results so far: "We know pheromones do cause some disruption to the spiny and spotted bollworms, but we don't know if it is enough.

"The location is unlike Egypt where crop protection is totally controlled by the Government and often implemented by it. In Pakistan, everyone is left to their own devices and they all have their pet ways. We cannot stop farmers spraying when they get worried." For instance, part of the trials had to be abandoned because a farmer panicked and sprayed 60 acres.

However, Sutherland is not too daunted: "The idea is good, but it is a long way from being ready to give out to farmers."

COMPANY NOTICES

THE THAI-EURO FUND LIMITED
International Depositary Receipts
issued By
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Evidencing 1000 shares each

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of The Thai-Euro Fund Limited will be held in the board room at Sarnia House, Le Truchot, St Peter Port, Guernsey on 12 April 1989 at 12 noon for the following purposes:

to receive the accounts and the report of the directors and of the auditors for the period ended 31 December 1988 and

to re-elect Mr P S Bradford as a director and

to re-appoint the auditors and to authorise the directors to fix the remuneration of the auditors;

to fix the level of directors' remuneration

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

By Order of the board

Lloyds Bank Fund Managers (Guernsey) Limited
Secretary

VOTING ARRANGEMENTS FOR IDR-HOLDERS

IDR-holders are not entitled to attend the meeting. IDR-holders who wish to vote must deliver the IDRs to the depositary at the address given below (attention Corporate IDR section telephone number 32-2-508.84.48), instruct the depositary as to the manner in which their votes should be cast, and indicate to whom the IDRs should be returned after the meeting.

IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of USD 10,- per IDR in respect of which a vote is cast.

ANNUAL REPORT

IDR-holders are hereby advised that copies of the company's annual report and accounts for the period ended 31 December 1988 are available from the depositary.

Requests should be sent to the address indicated below, to the attention of the IDR department.

MORGAN GUARANTY TRUSTS COMPANY OF NEW YORK
Brussel Office
35 Avenue des Arts,
1040 Brussels

as Depositary

HEALTHCARE GLOBAL FUND
S.I.C.A.V.
2, boulevard Royal — L-2953 Luxembourg
R.C. Luxembourg B-25162

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of HEALTHCARE GLOBAL FUND will be held at the head office of Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L-2953 Luxembourg, on Friday, April 21, 1989 at 3.00 p.m. with the following agenda:

1. Submission of the report of the Board of Directors;
2. Approval of the Statement of Net Assets and of the Statement of Operations as at December 31, 1988;
3. Allocation of net results;
4. Discharge of the Directors and of the Statutory Auditor with respect of their performance of duties for the year ended December 31, 1988;
5. Receipt of and action on nomination of the Directors and of the Auditor;
6. Miscellaneous.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting with no restriction.

In order to attend the meeting of April 21, 1989, the owners of bearer shares will have to deposit their shares FIVE clear days before the meeting at the registered office of the Company or with Banque Internationale á Luxembourg, 2 boulevard Royal, L-2953 Luxembourg.

The Board of Directors

FIDELITY SPECIAL GROWTH FUND
Société d'Investissement à Capital Variable
Luxembourg. 5 Boulevard de la Foire
R.C. Luxembourg B 20.095

DIVIDEND NOTICE

At the Annual General Meeting held on March 30, 1989, it was decided to pay a dividend of US$ 0.05 (five cents) per share on or after April 28, 1989 to shareholders of record on March 31, 1989 and to holders of bearer shares upon presentation of coupon No 3.

Paying Agent: FIDELITY INTERNATIONAL (C.I.) LIMITED
9, Bond Street
St Helier, Jersey, Channel Island

KREDIETBANK S.A. Luxembourgeoise
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L - 2955 LUXEMBOURG

HEALTHCARE GLOBAL FUND
S.I.C.A.V.
2, boulevard Royal — L-2953 Luxembourg
R.C. Luxembourg B-25162

Notice is hereby given that an

EXTRAORDINARY GENERAL MEETING

of shareholders will be held at the registered office at 2 boulevard Royal, Luxembourg on April 21, 1989 at 3.30 p.m. in order to resolve about the following:

- Amendment of the articles, including amendment of article 3 to insert the word «transferable» before the word «securities» in the first paragraph and to replace the reference to the law of August 25, 1983 by that to the law of March 30, 1988 in the second paragraph, as well as other amendments to articles, 8, 11, 12, 13, 17, 20, 22, 23, 25, 27 and 30 required or permitted by the law of March 30, 1988 to adjust the articles to provide for indefinite duration of the life of the Corporation and to make into account certain changes of general company law and to make some further amendments to article 22.
- Any other amendments required by any supervisory authority and/or deemed necessary by the legal adviser of the Corporation.

The shareholders are advised that a quorum of one half of the shares outstanding is required for the holding of the meeting and resolutions will be passed by an affirmative vote of two/thirds of the shares present or represented at such meeting.

In order to attend the meeting of April 21, 1989 the owners of bearer shares will have to deposit their shares FIVE clear days before the meeting at the registered office of the Company or with Banque Internationale à Luxembourg, 2 boulevard Royal, Luxembourg.

The Board of Directors

CONTRACTS & TENDERS

BAA PLC B·A·A

BAA plc will shortly be inviting separate tenders for the operation of Duty and Tax Free Shops at Stansted Airport and Heathrow Airport (Terminal 3).
The shops sell a wide range of Duty Free Liquor and Tobacco products together with Tax Free Perfume, Clothing and Gifts. At the present time a total of approximately £1.5 million international departing passengers per annum pass through the terminal buildings in which the shops are located.
Companies who wish to be considered for inclusion on the tender lists who have relevant expertise in selling all or part of the existing product range and have appropriate financial management and other resources are invited to write giving details of their experience, organisation and financial standing to D J Lindsay, Contracts Manager, British Airports Services Limited, Commercial Services, Mansfield House, Gatwick Airport, West Sussex, RH6 ONP.
It is intended that prior to tenders being issued interviews will be held with suitable companies when further details of the contracts will be given.

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COMPANY NOTICES

LINREAD PUBLIC LIMITED COMPANY

Notice is hereby given that the share transfer books of the company will be closed from Thursday 20th April to Monday 24th April 1989. Both dates inclusive. For the preparation of dividend warrants.

By order of the Board.
K J Morris
Company Secretary

LEGAL NOTICES

NOTICE TO SHAREHOLDERS AND WARRANT HOLDERS

IN THE MATTER OF THE GERMAN SECURITIES INVESTMENT TRUST PLC
(In Members' Liquidation)

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that a first distribution of 100p per Ordinary Share of £1 each will be made to persons whose names appear on the Register of Members of the company at close of business on March 31, 1989 and that distribution will be payable on April 14, 1989. Shareholders are required to submit their share certificates to The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh, EH11 ONU by noon on April 14, 1989 for the purposes of the distribution.

In accordance with the particulars of the Warrants, as there is a surplus available for distribution in excess of the paid up Capital of the Company, Warrant holders are entitled to participate in such surplus pari passu with the Ordinary shareholders. Accordingly Warrant holders will participate in any subsequent distribution and should return their certificate(s) to the Registrar at this time, together with their Ordinary Share certificate(s), if applicable, to be ready for the subsequent distribution(s).

Date: March 20, 1989

D.J. Pallen
Liquidator

HARLOW & JONES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

on 7th April 1989 at 11 am for the purposes mention in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

between 10.00 am and 5.00 pm on 5th April 1989 and 6th April 1989.

Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

no later than 12 noon on 6th April 1989. Creditors must submit a proof of debt before voting and unless they surrender their security, secured creditors must give particulars of their security and its value.

DATED this 30th day of March 1989.

BY ORDER OF THE BOARD.
J SCHLIP, SECRETARY

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Fax: 061 832 9248

or write to him at:
Financial Times
Alexandra Buildings
Queen Street
Manchester M2 5HT

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Fraser report has evidence of wrongdoing says Young

By Philip Stephens, *Political Editor*

PRESSURE ON Lord Young, the Trade and Industry Secretary, to publish his Inspectors' report into the takeover of House of Fraser by the Fayed brothers intensified yesterday after he explicity acknowledged that it contained evidence of "wrongdoing."

Sir Edward du Cann, Lonrho chairman, said Lord Young had "let the cat out of the bag."

As Mr Neil Kinnock, the Labour leader, attacked Lord Young for his refusal to authorise immediate disclosure, MPs on both sides of the House of Commons said that the takeover had involved "lies", "deceptions" and "negligence".

After a demand by Labour for a government statement on the affair, the Speaker (chairman) of the Commons ruled that MPs were not allowed to quote from a leaked copy of the report published in part last week by the Observer newspaper.

The legal case between the Government and Lonhro, to be heard next week by the Law Lords, on whether Lord Young should be forced to publish in full the Inspectors' findings made the issue sub judice, he said.

That, however, did not discourage Labour and some Conservative MPs from voicing anxieties about the circumstances surrounding the takeover and from pressing for full publication of the report.

Under the protection of parliamentary privilege Mr Brian Sedgemore, a Labour MP, said that there was a public interest "in knowing that the principle shareholders of the House of Fraser are fraudulent rogues and in knowing how ministers came to be deceived in 1985".

Questioning Mr Tony Newton, the trade and industry minister, Mr Sedgemore added: "Do you intend to invite the Governor of the Bank of England to censure Kleinwort Benson for negligence, the Law Society to censure Herbert Smith for incompetence....and the Prime Minister to censure ministers for negligence, incompetence and naiviety."

Kleinwort Benson, the merchant bank and Herbert Smith, the firm of solicitors, acted as advisers to the Fayed brothers during the takeover.

Mr Teddy Taylor, a Conservative MP, said that the Government should respond to the "lies and deception" referred to in the report by agreeing to refer the 1985 takeover to the Monopolies and Mergers Commission.

Mr Newton, however, said that the Government had already clearly stated its reasons for not referring the takeover and had also indicated that other options were open to it in responding to the report.

Mr Jonathan Aitken, another Conservative MP, said that the Government's case that publication of the report could prejudice criminal proceedings had already been contradicted in the courts by counsel for the Attorney General.

Both Lord Young and Mr Newton, however, stuck firmly to their view that premature disclosure of the report could prejudice both the current inquiries being conducted by the Serious Fraud Office and any future criminal actions.

Mr Newton insisted that Lord Young's acknowledgment in a BBC radio report earlier in the day that the Inspectors had found evidence of wrongdoing was simply an obvious explanation of his decision last year to pass it on to the SFO.

Mr Kinnock, however, said that Lord Young had done what he wanted everyone else not to do - to make a judgment in public on the report.

The minister won support from some backbench Conservative MPs for the decision not to publish and for the Government's sharp criticism of the move by Lonhro and the Observer to publish extracts.

Mr Newton declined, however, to indicate whether the Inspectors' findings could be made public as soon as the prosecuting authorities had completed their investigations or whether that would have to wait for the completion of any subsequent criminal action.

Water watchdog chief chosen

By Richard Evans

THE first Director General of Water Services, the independent official who will regulate water charges and monitor standards after the industry's privatisation, is to be Mr Ian Byatt, deputy chief economic adviser at the Treasury.

The choice, announced yesterday by Mr Nicholas Ridley, Environment Secretary, surprised the industry but was cautiously welcomed.

Mr Byatt, an economics lecturer before he joined the civil service in 1967, has specialised in the regulation of public monopolies at the Environment Department and at the Treasury, where he has been deputy chief economic adviser since 1972.

He has a formidable task in regulating the water industry, which includes 10 regional water authorities and 29 statutory water companies. Each will require a separate charging formula, making the privatisation in November the most complex attempted by the Government.

Mr Byatt and around 100 employees of Ofwat will be based in Birmingham. His responsibilities will include regulating charges by setting a ceiling for price rises, monitoring service standards and the enforcement of higher standards where necessary, and the encouragement of greater efficiency by promoting competition.

Mr Ridley said that the appointment of the independent regulator was a key component of the Government's plans for the water industry. "The new water plcs will be regional monopolies and the regulator's function will be to ensure that neither the newly privatised nor the existing water companies can unfairly exploit this," he said.

Mr Byatt will take up his new role officially in July when the Water Bill is expected to become law.

Moscow makes human rights gesture on eve of Gorbachev visit to Britain

Ailing mathematician allowed to visit West

By Robert Mauthner and Philip Stephens

THE SOVIET UNION yesterday made a significant goodwill gesture on the eve of the visit of its leader, Mr Mikhail Gorbachev, to Britain, when it announced that a seriously ailing Soviet mathematician, in urgent need of medical treatment, would be allowed to travel to the West.

The decision to allow 68-year-old George Samoilovich, who is reported to be suffering from lymph cancer, to leave his country temporarily after persistent British official representations on his behalf, was seen by a Foreign Office spokesman as "a considerable achievement in Anglo-Soviet relations."

Mr Samoilovich, who has been offered free medical treatment both in London and the US, had not been allowed to leave the Soviet Union earlier because the Soviet Government claimed that he was in posession of state secrets gleaned when employed by the Defence Ministry. His plight is one of several human rights cases due to be raised by Mrs

Mr Gorbachev with Mrs Thatcher on an earlier UK visit

Margaret Thatcher, the Prime Minister, during Mr Gorbachev's visit.

The Soviet gesture came just as the atmosphere for Mr Gorbachev's visit was in danger of being soured by repeated public warnings by Sir Geoffrey Howe, the Foreign Secretary, and other Ministers, about the continuing Soviet military threat and the need for Nato to keep up its guard.

Mrs Thatcher yesterday underlined her determination that the West should retain a "sure and strong" defence and should press ahead with the modernisation of its short-range nuclear weapons.

She said that she would would tell Mr Gorbachev that she was determined to negotiate from strength.

Mr George Younger, the Defence Secretary, said yesterday in a speech to mark Nato's 40th anniversary that "the new Soviet rhetoric" about "defensive sufficiency" cut little ice with an Alliance (Nato) that had been concerned solely with defence from its inception.

These criticisms were countered yesterday by a senior Soviet official, in London to brief the press ahead of Mr Gorbachev's visit, Mr Evgueni Primakov, Director of the Moscow Institute of World Economy and International Affairs, who referred to Sir Geoffrey's "primitive view" of Nato's role and East-West relations. However, Mr Nikolai Shyshlin, consultant to the Communist Party's Central Committee, tried to smooth ruffled feathers by stressing that Britain and the Soviet Union had to build a climate of trust and co-operation.

Mr Gorbachev, who was said by British officials yesterday to have "a cordial, even enjoyable relationship" with Mrs Thatcher, is due to arrive in London from Cuba late tonight, accompanied by his wife Raisa. Mrs Thatcher, who will be at the airport to meet him, together with other members of the British government, will accompany Mr Gorbachev to the Soviet Ambassador's residence for brief initial talks.

The two leaders will have further talks, scheduled to last two-and-a-half hours and expected to range widely over subjects such as east-west relations, arms control, human rights and regional problems, particularly Southern Africa and Afghanistan, tomorrow. These will be followed by the signature of three agreements on investment promotion and protection, the building of a school in Armenia with British aid and visas.

Other important items on the Soviet leader's programme tomorrow include a visit to Case Communications, an advanced technology company, in Watford, and a meeting with a Confederation of British Industry delegation.

Before leaving for home on Friday, Mr Gorbachev is due to deliver an important speech in the City of London and have lunch as the guest of the Queen at Windsor Castle.

Thatcher looks to 'chemistry' to set international reaction

By Philip Stephens, Political Editor

AMID the inevitable hype surrounding Mr Mikhail Gorbachev's visit to London this week, one theme will be emphasised repeatedly by those close to Mrs Margaret Thatcher – the strength of their personal relationship.

From the moment the Soviet leader's aircraft touches down at Heathrow airport late this evening, phrases such as "chemistry" and "mutual admiration" will be at the centre of the British public relations onslaught.

As her tenth anniversary in office approaches, the aim will be to reinforce the perception that Mrs Thatcher's stature and experience give Britain a place on the world stage far beyond its status as a medium-sized European power.

Mrs Thatcher wants to be seen by her peers in other Western nations – particularly those in Europe – as having a pivotal role in reshaping East-West relations.

She hopes to underline that her foresight in recognising as long ago as 1984 that Mr Gorbachev was a man the West could "do business with" has been rewarded with a special relationship with the Soviet leader.

It is a claim she can make with some justification. This week's talks will represent her fifth meeting with Mr Gorbachev and his third trip to the UK.

They precede his planned return visits to Bonn and Paris during the summer and, if the size of the Soviet advance guard is any guide, they are being treated most seriously by Moscow.

Mrs Thatcher will be the first Western leader to be briefed by Mr Gorbachev on his assessment of the upsets suffered by official candidates in the recent Soviet elections. She in turn will be able to provide him with a first-hand account of the prospects for further progress towards a negotiated settlement in Southern Africa.

The style of their previous encounters – as warm as they have been tough – has also lent credence to the claim by one of Mrs Thatcher's senior aides that it was a "remarkable relationship." In the view of one of her officials, they may differ sharply over nuclear arms, but provide clear evidence that "like poles do not repel."

The British Prime Minister's respect for the Soviet leader is genuine, and there appears little is doubt that there is peculiar chemistry between two strong individuals determined "to break the mould" in their respective countries.

Some of her colleagues have been heard to lament that she treats the leader of a Communist country with more respect than some of her colleagues. With no hint of irony, those close to Mrs Thatcher compare Mr Gorbachev's efforts to modernise and liberalise life in the Soviet Union with the task that faced her in 1979.

The other side of the same coin is that Mr Gorbachev is seen from the Prime Minister's office as a leader who will respect the Prime Minister's resolute determination to negotiate from strength.

Mrs Thatcher will offer all the help she can give in the Soviet leader's quest for a more modern, less threatening society, but will also insist on a "cast-iron" insurance policy for the West in case he fails.

That stance also contains the message that Mrs Thatcher wants to send to her allies in Nato: that her determination that they should reject Soviet calls for total denuclearisation in Europe and should instead move to modernise its short-range weapons is entirely compatible with further rapprochement with Moscow.

As one of her senior ministers commented recently, that decision on modernisation will not be made by Mrs Thatcher. It will be thrashed out – probably at the eleventh hour – by US President George Bush and Chancellor Helmut Kohl of West Germany. All Mrs Thatcher can do is to try to exert as much influence as possible.

Nor, however, is it certain that Mr Gorbachev will be content to stand by and allow Mrs Thatcher to translate his visit into an easy public relations triumph.

Soviet officials do not ridicule the idea of a strong relationship between the two leaders, but the signs in recent days have been that Mr Gorbachev is growing more impatient with her hard-line position on modernisation of short-range weapons.

His scheduled keynote speech before his departure on Friday will also provide him with the opportunity if he so chooses to launch a further Soviet arms control initiative designed to cut the ground from beneath's Mrs Thatcher's position.

Securities body opposes Brussels investment edict

By Clive Wolman

THE SECURITIES Association, the largest of the City of London's self-regulating organisations, is opposing the reciprocity provisions of the investment services directive produced by the European Commission last December.

The directive, scheduled to take effect in January 1993, is designed to provide a "single passport" to a firm authorised in one member state allowing it to sell its services in any other state without the need to seek further authorisation.

TSA says in its official response that the directive should come into force by the scheduled date, which would coincide with the taking effect of the second banking directive. Otherwise those securities firms which do not form part of a larger banking operation will be placed at a competitive disadvantage.

The reciprocity provisions, carried over from the second banking directive, would deny an application for authorisation from a subsidiary of a company incorporated outside the EC in situations where its home country does not grant reciprocal treatment to EC financial institutions wishing to operate there.

TSA argues that the UK has become a major financial centre because of its openness to international participants. The directive's definition of "reciprocity" is unclear. For example, it could even be applied against the US because of its Glass-Steagall legislation which prevents a bank from engaging in securities business and thus would be used to restrict the US activities of a German universal bank.

Even in cases where a firm from outside the EC was confident that the provision would not apply, it may still be deterred from setting up in the EC, TSA says, because of delays before it could be granted authorisation.

The TSA urges rapid progress on the capital adequacy directive which is also supposed to come into force in January 1993. Capital requirements, it says, are closely related to authorisation and are one of the most sensitive criteria when firms decide where to locate their business.

The other area which points to a philosophical divide between the EC Commission and the UK authorities is in the division of responsibilities that the directive makes between an investment firm's home country, where it would be authorised, and its host countries, where it operates.

The directive envisages that the conduct of business rules governing the relationship between a firm and its clients should be the responsibility of the host countries. Under the UK's Financial Services Act, potential conflicts of interest that arise within an investment firm because of its range of activities are regulated primarily by conduct of business rules imposing, typically, a strong duty of disclosure by the firm to the client of its position.

However, the EC directive sees this issue as more suitable for being regulating as a structural matter, by restricting the types of business undertaken by a firm or by imposing other organisational constraints.

Climate improves for the British resort

Travel agents see a brighter outlook for holidays at home, writes David Churchill

BRITAIN'S travel agents and tour operators met yesterday to discuss the worries of the industry in the down-to-earth setting of the Butlins holiday centre in Bognor Regis, rather than in one of the more exotic overseas destinations usually favoured by travel chiefs.

The choice of the Bognor Butlins – now called Southcoast World – for the UK conference of the Association of British Travel Agents is most apt this year.

Butlins, associated in Britain with old fashioned holiday camps offering traditional family seaside fun at budget prices, is enjoying a boom year with bookings running at record levels. Its popularity reflects the renaissance in domestic holidays this year. At the same time, though, last year's airport delays and higher mortgage repayments at home have taken some of the gloss off continental package holidays.

Figures from the British Tourist Authority show that the number of Britons taking holidays of four nights or more in the UK last year rose for the first time since the early 1980s. Nearly four out of every 10 Britons took a break of four or more nights in the UK last year, compared with just three out of every 10 in 1987. British holiday operators suggest that the trend has continued into this summer.

Rank Leisure, for example, which operates five Butlins holiday centres as well as being the largest operator of caravan parks in the UK, says bookings are about 10 per cent higher this year than 1988.

Superbreak Mini Holidays, the leading short-break holiday operator in the UK, also reports more Britons taking home holidays this year. "Demand is very buoyant," says Mr Christopher Dunn, Superbreak's joint managing director.

Wales also is enjoying a boom, according to Mr Prys Edwards, chairman of the Wales Tourist Board. "Our recent advertising campaign has generated some 170,000 inquiries and a very high proportion of these are being converted into firm bookings," he says.

Some tourist chiefs remain cautious. "I'm not saying business is booming, but it looks a very healthy picture indeed," says Mr Tim Whitehead, director of tourism for the seaside resort of Torquay.

His comments perhaps reflect the fact that, after years when a holiday in Britain was seen as a downmarket alternative to a sunshine package overseas, the UK holiday industry finds it hard to believe the good times are really returning.

A further warning was given to delegates at the Abta conference by Mr Malcolm Wood, marketing director for the English Tourist Board. "The British tourism industry has an unprecedented opportunity in 1989 to reap the benefits of improved bookings and favourable market conditions for UK holidays," he told them.

"But the industry must be prepared to rise to this challenge. Above all, 1989 must be remembered as the year we laid to rest the idea that a British holiday is second-best."

The main structural change in British holidays over the past decade has been the fall in the numbers taking the traditional week or fortnight of "main" holiday in Britain. The number of such holidays (measured as four nights or more) was down to 19m in 1986 from 27m a decade earlier.

This slump is both because Mediterranean sunshine holidays have become more accessible and because most British resorts have failed to upgrade accommodation or invest in all-weather facilities.

Some resorts have responded by investing to attract new markets. The Bognor Butlins, for example, was refurbished at a cost of £27m (as part of a £125m investment programme for the Butlins group) and is reaping the benefit of improved bookings.

Mr Angus Crichton-Miller, managing director of Rank Leisure, points out that the investment has enabled Butlins to pursue new markets such as weekend breaks and conferences. "Those operators and resorts that have not invested in new facilities are now paying the price," he says.

British operators have also been shown the example of the Centre Parcs holiday village in Nottingham. Centre Parcs is Dutch-owned and provides all-weather accommodation and a high level of facilities.

Blackpool, still Britain's most popular seaside resort, has also learned to adapt. The resort, on the north-west coast, already attracts 6.5m visitors a year to its pleasure beach. "When a major survey alerted us to the problem of the ageing visitor, a deliberate policy was aimed at recapturing the young," points out Blackpool's department of tourism. Some £16m, for example, was invested in an "indoor seaside" complex called the Sandcastle.

Yet British tourism is also aiming at the "grey market" of over 50s who have the time and the money to enjoy several holidays a year. "It is a very important market for us as these holidaymakers will often take several short-break UK holidays a year to places and cities like London, Edinburgh, and the Lake District," says Mr Dunn of Superbreak.

What would really cheer tourist chiefs would be a sunny summer. "After three pretty average summers, it's about time we had a real scorcher!" one suggests.

Wales joins Labour's devolution programme

By Anthony Moreton, Welsh Correspondent

THE LABOUR PARTY yesterday committed itself to devolution for Wales as part of a shake-up of local and national government within the principality and said this would be given priority if the party was returned to power at the next general election.

Mr Barry Jones, the party's spokesman on Welsh affairs, promised in Cardiff that the legislation needed "would be passed within the lifetime of the parliament."

This is a rather more cautious commitment than that given to Scotland where Labour has promised "immediate" devolution. Mr Jones denied this was a piecemeal approach. Change in Wales and Scotland would be accompanied by a reappraisal of local government in England. "Do not underestimate the power of a Labour government to devolve power to the regions," he said.

The Welsh Labour party is to take the scheme to its annual conference in Llandudno next month. It will propose the setting up of an elected body to deal with functions carried out by the Welsh Office and those bodies which have an all-Welsh remit. At the same time, the party intends to simplify local government, by replacing the eight county councils and 37 district councils formed in the 1974 reorganisation with a single tier of between 17 and 25 multi-purpose authorities.

If, as expected, the proposal is approved by the Welsh party conference, it will then go to the national party's conference in the autumn. Success there would almost automatically ensure its being in the manifesto for the next general election which has to be held before the middle of 1992.

Labour does not intend to reduce the 38 MPs in the country nor relegate the Welsh Secretary to a non-cabinet post even though the person would presumably lose a considerable part of his or her powers. But its plan for the 765 community councils is less clear and will not be resolved until consultantions have been held with interested parties. "The debate is now no longer about devolution," Mr Jones said. "It is about the practical implementation of policy." A devolved authority would not be an independent one, as Plaid Cymru, the Nationalist party urged, "but there must be a debate on establishing a new system of local and regional government for Wales."

Atex launches cheaper system

By Raymond Snoddy

ATEX, the electronic text processing company whose customers include Mr Rupert Murdoch's News International and the Daily Telegraph has bowed to market pressure and produced a new less expensive system based on standard personal computers.

Atex, part of the Eastman Kodak group, which has more than 700 customers in 38 countries, has tended to be sceptical in the past about linking personal computers together rather than providing its own computer hardware.

Mr Alec Hollingworth, Atex European vice-president, conceded yesterday that there had been market pressure for a new product based on personal computers.

The new Atex system developed in the UK and aimed at the European market will be suitable for local and regional newspapers and magazines requiring between six and 60 screens. It will be based on the IBM PC range but will use standard Atex keyboards and software.

Mr Hollingworth added that there was no technical reason why a larger number of PCs could not be networked together. Atex had simply not got that far yet.

He expected personal computers to migrate into the larger electronic newsroom systems running national newspapers, but the time scale was not yet clear.

Spycatcher reports 'in grave contempt'

By Raymond Hughes, Law Courts Correspondent

NEWSPAPERS which published material from Spycatcher, the memoirs of former MI5 (counter intelligence) officer Mr Peter Wright, when court injunctions were in force were guilty of grave contempts of court", counsel for Sir Patrick Mayhew, QC, the Attorney General, told the High Court in London yesterday.

Mr John Laws was opening committal proceedings against three newspapers – The Independent, the Sunday Times and the now defunct News on Sunday – and their editors.

He said that the publications complained of were on various dates in 1987 and in the Attorney General's view called for "punitive" action by the court.

The Attorney General was not seeking orders against three other newspapers, the Sunday Telegraph, the London Evening Standard and the now defunct London Daily News.

The Sunday Telegraph and its editor had apologised for what had happened. The Standard and the London Daily News had offered explanations which had led the Attorney General to think that the public interest did not call for any order to be made against them.

Mr Laws said the Spycatcher saga was now over and done with and there could be no question of "raking over the embers".

Last summer the Government finally failed in its claims for final injunctions preventing the British press publishing material from the memoirs of Mr Peter Wright, "a disgraced and discredited former member of the British Security Services."

But from June 1986, there had been interim injunctions in force against the Observer and the Guardian newspapers and their editors prohibiting the reproduction of anything from Mr Wright's book.

"All Fleet Street knew about these injunctions and it was known that the Crown's purpose in bringing the court actions in the first place was to prevent the dissemination here of what Wright, as a previous insider in the Security Services, had written," said Mr Laws.

The fact that the Spycatcher case had been brought on behalf of the Crown by the Attorney General was not significant.

The hearing continues.

Legal snag delays Dublin trial

Financial Times Correspondent

LEGAL ARGUMENT delayed the start of the trial in Dublin yesterday of a Belfast man charged under the Criminal Law Jurisdiction Act which allows for alleged offenders in the UK and Northern Ireland to be tried in the Republic.

Mr Gerard Sloan, 35, is charged with escaping from Crumlin Road Courthouse, Belfast, in 1981, and with possession of firearms.

In the Special Criminal Court in Dublin yesterday the trial judge questioned the absence of warrants from the Royal Ulster Constabulary, and adjourned the court until the situation was clarified.

Mr Sloan was arrested last November as he boarded an aircraft in Dublin after eight years on the run. The act under which he is charged is rarely used in the Republic.

Charges under the Criminal Law Jurisdiction Act are at present being prepared against Father Patrick Ryan, the priest sent back from Belgium after his arrest there last year.

He is sought in Britain on terrorist charges, but the Irish Attorney General refused his extradition after his arrival from Belgium, urging Britain to use the mechanism provided by the Criminal Law Jurisdiction Act instead.

Ministers discuss Anglo-Irish review

By Our Belfast Correspondent

BRITISH and Irish government ministers will today discuss the preliminary findings of the review of the workings of the Anglo-Irish Agreement when the Intergovernmental Conference meets in Belfast.

Mr Tom King, Northern Ireland Secretary, and Mr Brian Lenihan, the Republic's Foreign Affairs Minister, will jointly chair the meeting. The talks are also expected to focus on cross-border security after the recent IRA murders of two senior police officers as they were returning to Northern Ireland after meeting Irish police officers in Dundalk.

Sir John Hermon, chief constable of the Royal Ulster Constabulary, and Mr Eugene Crowley, Garda commissioner, are expected to attend the meeting during the talks on security.

Unionists have refused to participate in the review of the agreement – which gives Dublin a say in the affairs of the North – but other political groups have made submissions. It is thought the outcome of the review will not be finalised until after the next conference meeting.

Most observers feel it will not result in any substantial changes to the Accord and will concentrate on measures to increase the efficiency of the secretariat which services the conference.

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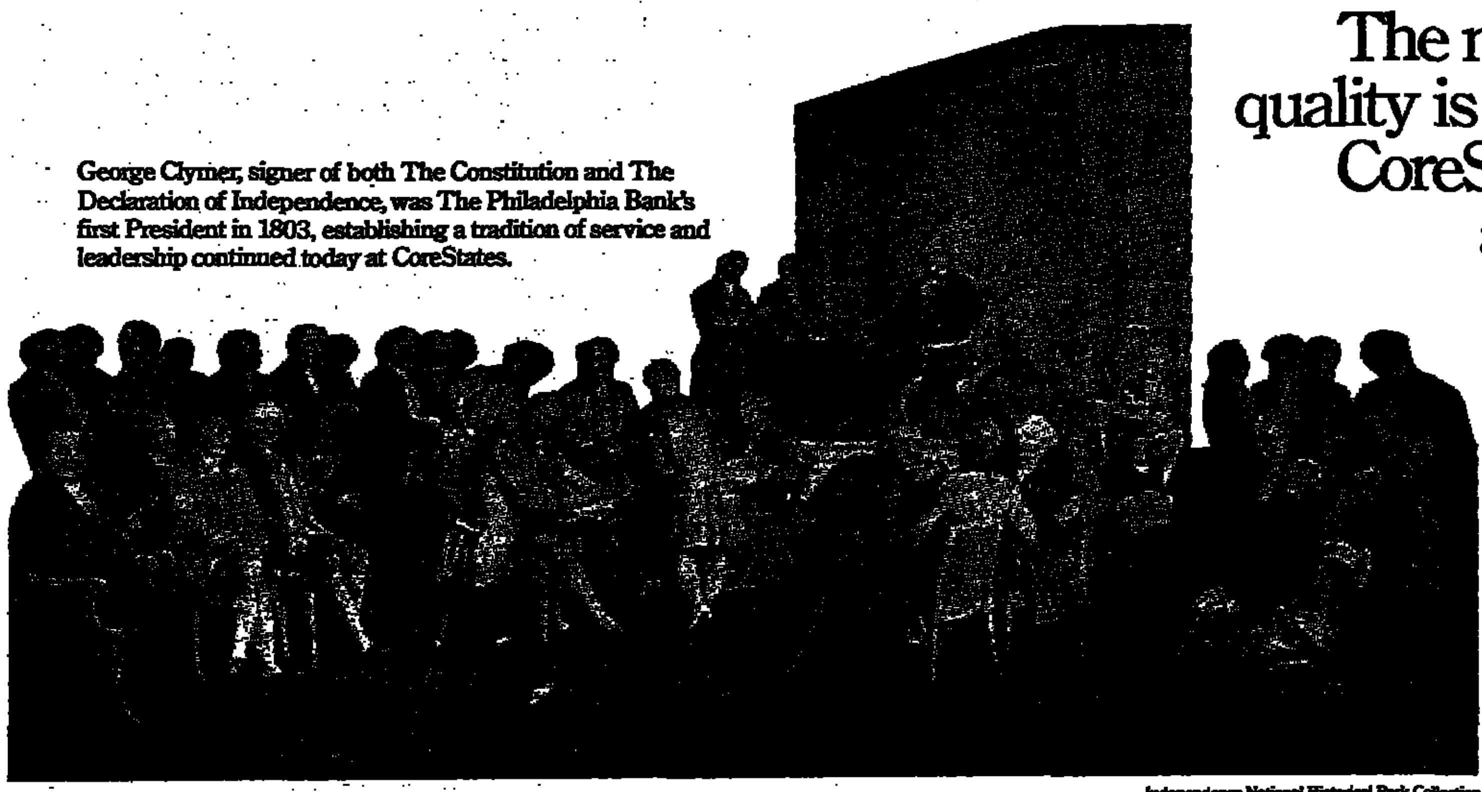

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Independence National Historical Park Collection

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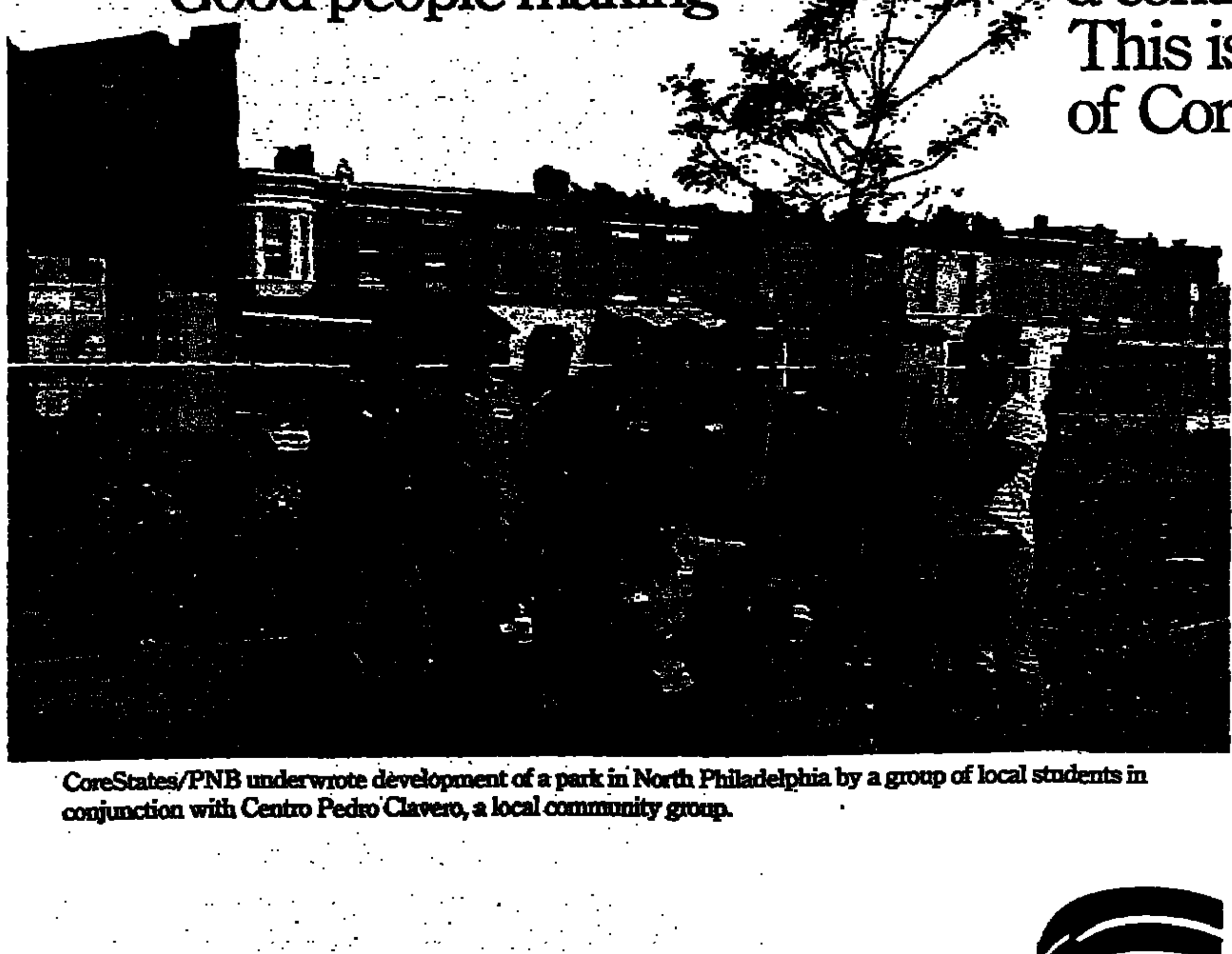

CoreStates/PNB underwrote development of a park in North Philadelphia by a group of local students in conjunction with Centro Pedro Clavero, a local community group.

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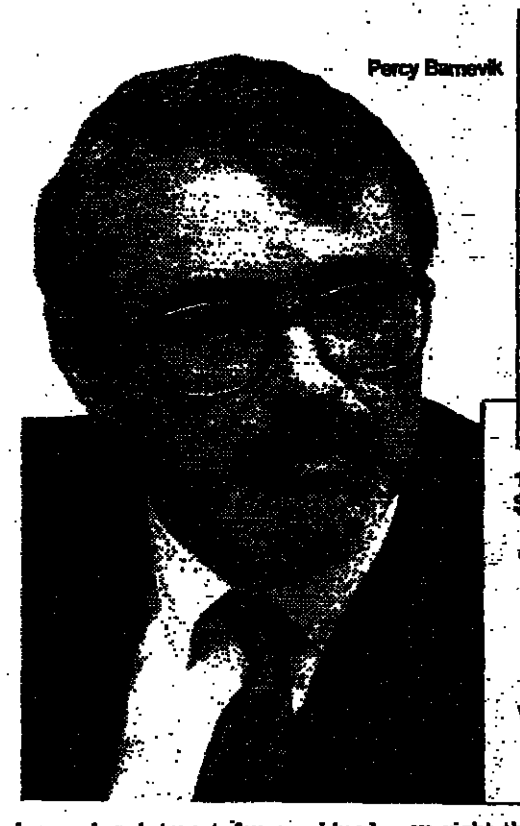
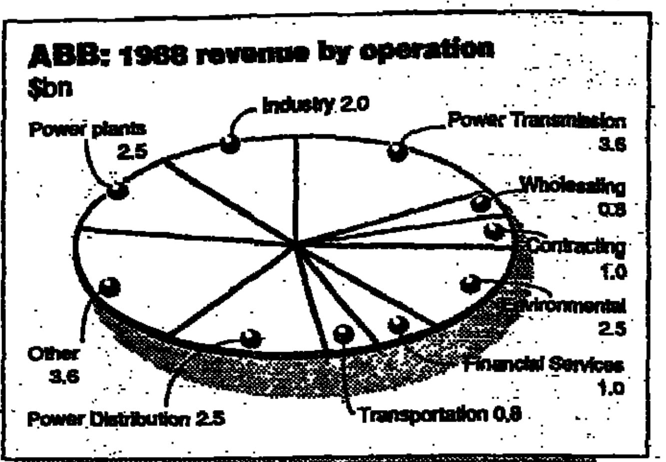
MANAGEMENT

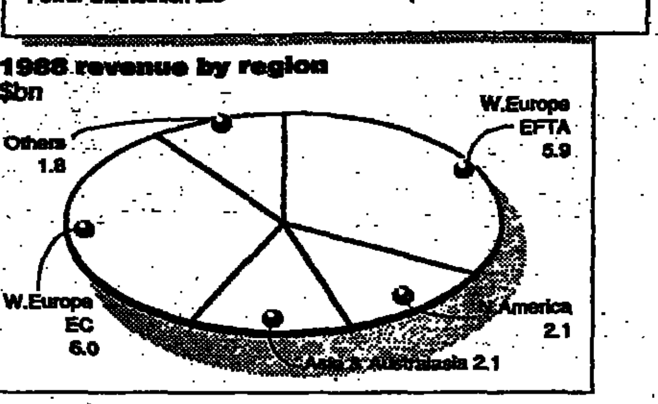
Electrical engineering

Where 'paradise' is to be found in acting quickly

William Dullforce assesses progress in the enormous task of merging Asea and Brown Boveri


Percy Barnevik





Percy Barnevik *is still in his* element 18 months after taking on one of the decade's toughest manage*ment challenges.* "*Sure, we have a* massive job with all these plants and opportunities, but that is the stimulant. If you really are a ration*alisation man, somebody who wants* to change things, it is paradise."

The challenge is to merge Sweden's Asea and Switzerland's Brown Boveri *into Europe's most effective* contender in the global electrical engineering stakes.

Speed remains the hallmark of his management practice. A year ago he stressed in an interview with the Financial Times the importance of acting quickly to prevent losses in market shares while the fusion took place, to motivate managers and to inject dynamism into the overweight giant which was the *immediate result of the merger.*

Six months ago he threw a champagne party for the team (and their wives) which *wrote the software* for, and put in place, the group's global reporting system. Dubbed Abacus, it gives the executive board monthly updates of sales, order intake and backlog, financial results and margins, by business area, region and country.

When told it would take three years to have such a system working, Barnevik insisted that it should start trial runs by last August.

Today, he acknowledges that his insistence on speed caused some problems, particularly in West Germany, where employees staged protests and sit-ins over a period of some weeks last March and April.

But he still prefers to "push things through and not refer them all the time to investigation, because you can investigate to death." And, he adds, "we have not been blocked, we have not been delayed and we are not sitting still while governments decide."

While it has been concentrating *on the process of merging, the* group may have lost some of the electrical engineering market, notably in the Nordic countries where Asea already had large market shares and where putting the Asea and Brown Boveri units together "has probably let in more imports." In Switzerland, the other "home" country, and elsewhere, Barnevik believes ABB has actually gained.

Some losses may have occurred *on the product front. Barnevik men*tions general purpose motors, where many organisational changes have been made to improve effi*ciency. The three power divisions* reported $8bn in orders received in 1988, up 13 per cent, and overall the 1988 order intake indicates that *ABB has suffered no major setback* during the merger process.

ABB's first consolidated annual figures, reported last week, met most *analysts' expectations with a* 1988 pre-tax profit of $536m on a turnover of $17.8bn and a net income of $386m. The margins were *far from Barnevik's ambitious* long-term targets of close to double last year's ratios. He expects the first fruits of last year's restructur*ing to become visible in the 1989* results.

His optimism – for the longer not just the *short term* – is underpinned by three transformations under way in ABB's situation. First, the deals he has pulled off, notably with Westinghouse in the US and with Finmeccanica in Italy, which will substantially reinforce the group's market penetration.

Second, the many *measures* his task forces completed last year or have in the pipeline in order to turn ABB into "the lowest cost producer *worldwide." The task forces push* through exchanges of products and components among factories to achieve economies of scale and *streamline manufacturing*, marketing and financial operations.

Third is his conviction that he can put across his message of change right through the group. He has no illusion about the immensity of the task. A massive communication programme started with a conference for 250 top managers in Cannes in January last year. Barnevik explained his policies, the conference was video-taped and made available to local managers. Then, the 50 product-based business area managements, whose task forces *execute the strategy, held their own* conferences. Comparable meetings took place at regional level, so that most middle managers will have attended two sessions. Another top management conference is in the offing.

Communication is critical, Barnevik stresses. Managers need incentive systems, targets to work to, feedback from the managers above them and persuading that they can make more decisions and have more interesting jobs.

"Take one of the 600 middle-level managers in Germany. He may be *50 years old* and have worked in a stable environment for the past 25. He may have to work some extra hours, change his methods, perhaps *switch to another job inside the* company and he asks why the hell should he.

"You tell him it is to increase low *profitability. He says we have had a* nice life on a 2 per cent margin for the past 25 years, so why do you want 5 per cent or even 7 per cent. Well, *you talk of job security,* long-term expansion, the threat from the Community's single market and that a strong company is good for him and his family. But somebody has to talk to Mr Müller and motivate him."

His *staff* say Barnevik himself has spent a tremendous amount of time at meetings with middle-level *managers.* "If we have mobilised half of them, it is fantastic. If we have managed 30 per cent, it's not so bad," Barnevik says. But he admits he does not yet know.

The two other developments – the deals he has completed and the rationalisation – which underpin *Barnevik's opti*mism are more easily assessed. The formation of ABB has spawned the restructuring, over the past 18 *months, of the international,* and particularly the European, power equipment industry.

In Europe ABB has become the biggest in the sector. *Second* is the joint company formed by Britain's GEC and Alsthom of France, while Siemens of West Germany, until recently *the dominant European*, is now in third place.

Already this year ABB has completed deals in the US and Italy. The US authorities blocked the joint venture between ABB and Westinghouse in power generating *equipment but the agreement on* transmission and distribution equipment went through and will add some $1.2bn to ABB's turnover. ABB currently has 45 per cent of the venture but with an option, which Barnevik probably will exercise, to buy the rest.

In Italy the end result of complicated negotiations with Finmeccanica has been the formation of several joint ventures in power generators, boilers, turbines and transformers. The outcome injects ABB technology into a grouping of some 32,000 people (including 10,000 outside Italy) and calls for a massive restructuring job.

Italy has become ABB's largest home base after West Germany and Sweden and gives it a major presence in two of the four big Community countries. Barnevik is preparing ABB for the European single *market with cross-border rationalis*ation but at the same time he is taking care to retain the group's "multi-domestic" character. He says *no more than 2 per cent of power* plants in EC countries have been built by foreign contractors.

Looking at the broad canvas, Barnevik expects to generate 25 per cent of group turnover, twice as much *as* last year, in North America in five years' time. He is circumspect about reports that he *has* been *talking about joint ventures* with Japan's Mitsubishi but says it is "obvious" that ABB has to be "an insider" in the *Asian* market.

Less than half ABB's turnover comes from the three power divisions and the decentralised management throughout the group has been striking deals in several other sectors over the past 12 months. Barnevik highlights railway equipment, where the group had an order intake of some $1bn last year but where it has been buying additions.

BREL, British Rail's engineering subsidiary, bought earlier this year by a consortium in which ABB has a 40 per cent stake and will introduce *its* technology, products and market outlets, adds $450m in annual turnover to the ABB family.

In addition, a *share* has been bought in a Danish coach and locomotive builder and a Swedish state-owned coach building concern has been taken over. Agreements are being reached with the Swedish and Finnish governments for the acquisition of freight wagon building and *maintenance units; and Ericsson* Signals System with a $120m turnover spread across Europe bought.

If one adds ABB's overhead rail *line business, the group will soon* be approaching annual sales to railway customers of around $2bn. ABB also forms part of the German-based consortium building high-speed trains in competition with the French. Given the demand for better urban transport systems, *increasing interest for combined* road-rail freight and the pressure for more efficient use of energy, Barnevik thinks ABB has acquired a "*nice smorgasbord of opportuni*ties".

The acquisitions and the deals are building up ABB's muscle as a global operator but new companies and joint ventures have to be managed; rationalisation remains the key to Barnevik's hopes of boosting the merged group's profit margins. Here a lot has happened in the past 12 months.

The basic matrix structure with eight business segments, each responsible to a member of the executive board for a product group or geographical region, 50 product-based business areas, some 800 companies and 3,500 decentralised profit centres is in place and functioning.

Trimming costs is essentially the job of the task forces, put together at the business area level. The area management compares the manufacturing costs for a given product at all its plants and picks the best one as a model. In A/C motors, for instance, *one plant was producing* at 50 per cent of the sales price while others had manufacturing costs of 75 per cent.

*Teams, usually two or three spe*cialists, then go in to cut overheads, streamline inventories, cut out some operations and source out the "less noble" parts to sub-contractors. Products and components are swapped to get economies of scale. Enormous activity has been going *on right through the group*, spearheaded by the business area managers. It will continue through 1990.

One of the most interesting examples, partly because it ran into resistance by employees and managers in the first half of last year and did not really get going until the second half, is the exchange of power generating equipment production between Germany and Switzerland.

Put simply, turbine and generator production was divided, so that Birr Switzerland concentrated on the rotating parts and Mannheim on *the stationary parts for the com*plete range. Overall, ABB aims at cutting 4,000 of the 36,000 jobs in Germany and 2,500 of the 17,000 in Switzerland.

Disinvestment was part of the cost-cutting strategy outlined a year ago by Barnevik. In fact, there has been very little but ABB reported capital gains of some $600m from disinvestments in 1988.

A major real estate operation has been set up under a manager at Zurich headquarters, to exploit the space, both factory and land, freed by the production rationalisation. One example is NEBB, one of five companies which were merged in Norway into Elektrisk Bureau and which had a headquarters and generator plant in the centre of Oslo. NEBB sold the site, realised a $50m capital gain and took a 49 per cent stake in the development company which will rebuild the plant into offices. The group thus stands to reap further profits from the opera*tion while generator* production has been rationalised to one plant.

Real estate companies have already been established in half a dozen countries, to take over the ownership of all ABB property. The industrial operations then become tenants, paying a market price, while the real estate companies "make dead sure that the property is exploited in the right way."

Another innovation is the establishment of treasury centres, to manage ABB's considerable cash resources and to exploit the oppor*tunities of the many financial* instruments now available. In addition to one world treasury centre in Zurich, local centres have been set up in five other countries.

A rise in the capital turnover rating (assets to sales) from 0.9 to 1.20, to free some $4bn, was one of Barnevik's targets. This was to have included a reduction in inventories from $5.4bn to $4bn which has not taken place. Improvements to inventories come with a time lag after the rationalisation process, Barnevik says, but he points out that the group paid back $1bn in loans last year.

From an outside perspective, ABB is still in a colossal ferment of merging, expanding and cost-cutting. But the ferment does have direction and, as his colleagues freely testify, that direction comes from Barnevik himself, who is unsparing in the intellectual and physical resources he devotes to his job.

ARTS

TELEVISION

Bite-sized news with your toast and marmalade

Britain's third attempt at breakfast television, after the BBC's *Breakfast Time* and ITV's *TV-am*, is called *The Channel Four Daily*. Clearly it is entirely intentional that the title makes the programme sound like a newspaper. We live now, as we are forever being reminded, in "the age of information" and the electronic impulse is king. Fuddy duddy mass media such as print (500 years old!) are laughably outmoded, and the idea of getting the news to your breakfast table via railway train, wholesaler's lorry and paperboy's bicycle is utterly absurd.

The trouble is that, more than six years after their launch on BBC1 and ITV, the established breakfast shows are still running third behind newspapers and radio in the contest to supply the public with their morning news. While the national morning papers are selling 15.75m copies a day and the four national BBC radio networks are broadcasting to an audience of about 10m at 8 am, with the *Today* programme alone attracting around 3m, *TV-am* manages just 2.7m viewers and *Breakfast Time* 1.4m. Both will argue about "reach" figures (the number of people who watch any part of a programme during the week) being higher, but then the same applies to newspapers which are usually read by more than one person so that readership is much greater than circulation.

When it came to planning their early morning programme, the people at Channel 4 seem to have been determined to try to do what newspapers *do well* rather than what television does well. Television is outstandingly good at serial drama, wildlife, comedy, travel, and undemanding light entertainment of all sorts from chat shows to pop music. But none of that wins kudos for journalists, and the people most heavily involved in breakfast television tend to be journalists – most of them print trained, some of them still primarily employed by newspapers. Thus, in the age of information, we find the all-electronic medium of television tying itself in knots in its desperate determination to be a newspaper.

The trouble is that television just does not have the flexibility of a newspaper. At Channel 4 the idea of a repetitive, rolling service into which viewers are expected to dip, and then depart, is even more pronounced than on BBC1 and ITV. Carol Barnes presents the news headlines every 15 minutes, and is backed up by James Mates in Tokyo (we *know* he is there because there is a bonsai plant in front of the Venetian blind) and Michael Nicholson in Washington.

The Channel Four Daily team: Michael Nicholson, Carol Barnes, Garry Rice, Debbie Greenwood, Dermot Murnaghan, Susannah Simons and Richard Whiteley

The headlines are followed by weather and transport details, and packed in between are "bite-sized" segments – their phrase, not mine – flavoured with the arts, sport, social matters, and finance. There is even a half-hearted attempt to ape the latest obsession of the press and provide "listings," although clearly this cannot possibly work on television in anything like a comprehensive way except by resort to teletext. On Day 1 there was also a token American cartoon (the usual derivative modern junk with poor two-dimensional animation and all the heroes wearing knickers over their tights) and the same 5-minute version of Channel 4's game-show *Countdown* screened twice.

Because the news is being provided by ITN the basic quality is good, and once the programme is properly established, and the need to keep proving the presence of Mates and Nicholson in the Pacific and the US is less urgently felt, it will no doubt settle down and seem somewhat less frenetic.

Probably not very much, however, because the very structure makes for a feeling of rush and superficiality. Though this column argued strenuously against Michael Ignatieff's recent series which suggested that we are declining into a *3 Minute Culture* it would have to be admitted that *The Channel 4 Daily* looks distressingly like a giant stride down that road.

It is not merely that so much time is taken up with graphics sequences "framing" the various segments, and trailers, or even timetables showing "what's coming next," with one presenter "handing over" to another presenter who has nothing to do but announce the next commercial break so that you sometimes feel that this *meal consists largely of waiters passing* the menu around while rarely providing any actual food.

Worse, the producers are so determined to limit items to "bite-size" morsels that when a story within the "Streetwise" section on enforcing rights under Ancient Lights laws ran to more than three minutes they chopped it in half and inserted a two-minute gobbet about SERPS in the middle. A report by Michael Nicholson on the election of a mayor for Chicago appeared to have lost so much in the editing that it scarcely made any sense.

One special difficulty for a commercial channel which arises when you reduce all items to such short lengths is that they come close to the size of the advertisement breaks, and modern British commercials are very high quality pieces of film making. It is almost impossible for *The Channel 4 Daily* to compete in terms of technical quality with the Kellogg's Frosties ad, or Wrigley's "It's a part of the moment." Alongside such a professional smorgasbord the programme *morsels begin to look like warmed-up* leftovers.

What is more, the commercials seem to be the only place for any amusement. It has been suggested that Channel 4 decided to adopt, as their own, Peter Jay's "mission to explain" which came such a cropper during the fiasco of TV-am and the "Famous Five." The evidence now on screen hardly suggests they have gone that far, but on Day 1 there was certainly a tendency towards the po-faced. The result was that the commercial breaks with the "Cheese It" series, featuring Edward Heath, Ken Livingstone, George Melly and so on, actually became moments to look forward to.

Television's desire to compete with and, if possible, supplant newspapers is understandable, but the attempt to imitate the functions of the press so precisely may be a mistake. The beauty of a newspaper is that it can be all things to all men. In the choice *of subject matter the reader is king*: if you want to read two minutes of sports news and then 10 minutes of political background that is what you get. If you prefer 10 minutes of fashion followed by three minutes of opinion that is what you get – from the very same newspaper. Furthermore, you can begin reading in the lavatory, continue at the breakfast table, and finish by doing the crossword on the bus.

With television you are tied to the set and entirely at the mercy of the broadcasters: *if you want two minutes* of sport and they are doing five minutes of the FTSE Index then, willy nilly, the FTSE Index is what you get. (And, incidentally, the belief, now so widespread in television and radio, that there is an insatiable appetite for expert and arcane financial news among the general public is, surely, an astonishing misapprehension: it would be interesting to know what tiny proportion of the audience even knows what the FTSE *is* . . . or wants to.)

For myself I long ago gave up watching *Breakfast Time* and *TV-am*. The only time I see them now is when staying in a hotel and, as usual these days, no newspaper is delivered to the room. Professional duties aside, this new C4 programme will now go into the same category. On the day that I can fold up *The Channel Four Daily* and stick it under my arm to take it into the bathroom or the garden to read Miles Kington's column or Ian Wooldridge's report while finishing my coffee, I may choose to go back to it.

Christopher Dunkley

The Late Christopher Bean

ARTS THEATRE, CAMBRIDGE

The Late Christopher Bean by Emlyn Williams marks the departure of Bill Pryde as artistic director of the Cambridge Theatre Company. He has steadfastly maintained these past seven years the decent standards and programming flair of this invaluable middle-scale touring outfit.

But the Williams play, which moves on this week to Poole, Taunton and Aberystwyth, although it tolerates revival, does not constitute much of a parting shot. The design of Tanya McCallin, well lit by Leonard Tucker, is pleasing but uninspired. The company, too, is solid and workmanlike, *exposing further the awk*wardly plotted story and its less than sparkling dialogue. As a play, the best you can say for it is that it would probably make half a good musical.

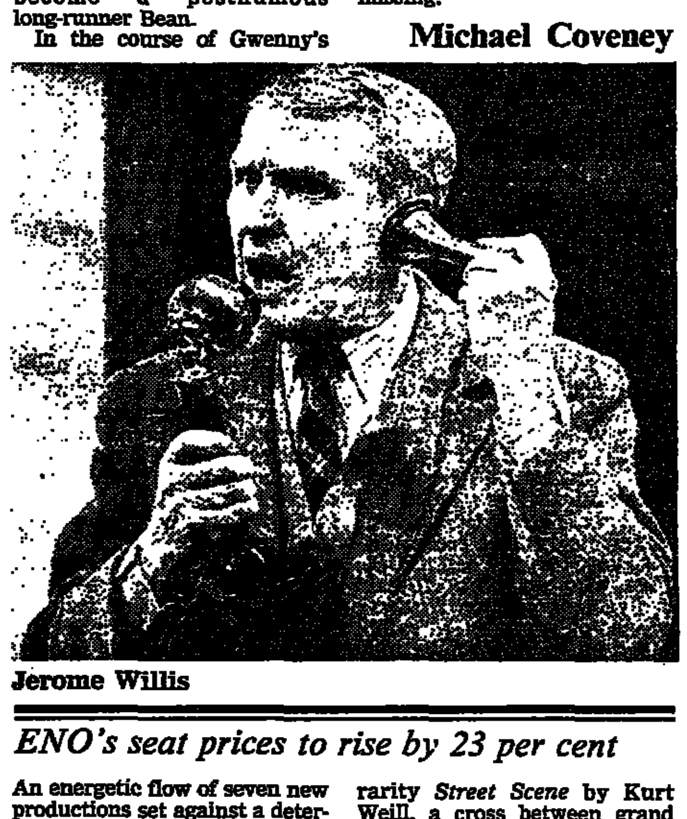
In his memoirs, Williams recounts how he spent a week tinkering in New York with a Sidney Howard script, itself a translation from the French of René Fauchois. The result was a 1933 hit for Edith Evans as Gwenny, the Welsh maid who *is leaving service with the doc*tor's family after 15 years. Gwenny loved and cared for an alcoholic, tubercular artist patient who died in the house ten years ago and whose hitherto unwanted work she has hoarded. But now this Christopher Bean, a rather doubtful Dubedat, owing to shifts in fashion and on the market, has become a posthumous long-runner Bean.

In the course of Gwenny's last day, the home of the Haggett family is invaded by people suddenly anxious to settle Bean's small debts and make off with the oils. When I last saw the play, in 1978 at the Watford Palace, with Dora Bryan as an unaccountably Lancastrian but touching Gwenny, the Tom Keating forgery business was in the news. This added a frisson to the sight of a forger, a dealer and a *pompous critic* all falling over each other to make hay while the sun shines on a dead artist.

But the emphasis has now shifted. CTC's Gwenny is a creature of plump, unassertive affability; Rhoda Lewis simply *ignores all the chances she has* to express the deep abiding sadness of her condition. Instead, Jerome Willis's rather one-dimensional doctor unleashes a grasping, acquisitive attitude towards art that rings a few bells but which also tramples noisily over such other issues as evaluation, loyalty, domestic relationships.

Alec Linstead is the oleaginous critic, entirely unbelievable, Desmond McNamara the *forger, Jim McManus rather* good as the dodgily semitic dealer. The doctor's daughters are adequately taken by Susannah Doyle and Joanna Myers. But the powerful emotional subtext, that would transform Gwenny's devotion to Bean into a sneak preview of the teacher/pupil obsession in *The Corn is Green* (1938), is entirely missing.

Michael Coveney



Jerome Willis

Embarque

SADLER'S WELLS

Siobhan Davies' *Embarque*, which featured in the second Rambert programme on *Monday night, gives a telling* impression of the arduous and sometime relaxations of travel. It has a momentum sprung from the arresting opening pose – a man and woman standing immobile at the start of a journey – that finds them and their companions driven by the pulse of the Steve Reich score and by the pace of the land they are crossing.

Incidents flash past, or are momentarily *savoured*; *the* movement is *often* quick, but remains both supple and fluent; there are curves of dynamics – something like a game of "follow my leader" – which have the inevitability and potent outlines of the Shades entry in *La Bayadere*. And, in dealing with a minimalist score, Siobhan Davies has shown how she can control it – by not becoming trapped in vain repetition – and extract a parallel and fascinating imagery from its procedures. *Embarque* seems to me the triumphant maturity of gifts we first admired in Miss Davies early *Pilot* which, too, dealt with travellers.

Also new to London was Trisha Brown's *Opal Loop*. Alastair Macaulay reviewed it at it Rambert premiere last *month, and I have only to concur* in his admiration for the limber, subtle muscular style of the piece, and for the way the Rambert cast of four catch its least shimmy and slouch, doing their own thing while intensely aware of everyone else's activity. Very mysterious the sudden conjunctions of bodies: when Amanda Britton stands supporting Glenn Wilkinson's torso, a world of feeling and tension is suddenly glimpsed.

The same comment is true of the company view of the evening's opening *Septet*, Cunningham anglicised, but Cunningham nonetheless. But it is not applicable to that ancestral treasure, *Dark Elegies*, which is a shadow of its former Rambert self. The lean company style today does not comprehend the density and control of emotion that are needed for Tudor's own refined 1930s expressionism. The point-work for the women looks alien: the men do not appear weighed down by inexpressible grief. It is a brave but wrong-headed try at a masterpiece which we should now consider lost to us.

Clement Crisp

Boult Centenary Celebration

FESTIVAL HALL

It would have been all too easy *to celebrate the centenary of* Adrian Boult's birth by giving concerts drawn from the core repertory with which he was identified most closely – the symphonies of Beethoven, Schubert and Brahms, and his specialisms of Elgar and Vaughan Williams.

The Philharmonia's four-concert Boult tribute, conducted by Andrew Davis, has been designed much more enterprisingly: though the series began with Elgar's Violin Concerto, Vaughan Williams' Sixth and Walton's *Crown Imperial*, and will end next Sunday with *The Dream of Gerontius*, the central pair of concerts has attempted *to give a much wider impres*sion of Boult's achievements and of the reasons for his importance in British musical life for more than half a century.

As Michael Kennedy's commemorative essay *in the Phil*harmonia's programmes reveals, the sheer range of music which Boult conducted was vast, especially during his 20 years from 1930 onwards as the BBC Symphony Orchestra's chief conductor.

I doubt that many would have identified Boult as the conductor of the British premiere of Berg's *Wozzeck* – a concert performance at the Queen's Hall in 1934; a few weeks earlier he had introduced Mahler's Ninth Symphony, and conducted *Wozzeck* again in 1949 – or of Stravinsky's Symphony in C (a wartime broadcast from Bedford), or predicted that in the BBCSO's inaugural concert the second suite from Ravel's *Daphnis et Chloé* would have been placed alongside Brahms.

Those who remember Boult only from his venerable appearances in old age, when understandably his choice of works was far more limited, should have found the shape of these Philharmonia programmes salutary.

Not salutary enough perhaps, for by the standard of the Philharmonia's South Bank promotions neither concert was well supported, and by the *standard of most Philharmonia* performances some of the playing was indifferent.

Davis began on Friday with Tippett's *Second Symphony*, which was the subject of perhaps the most infamous of *Boult's premieres, falling apart* within a few minutes and having to be restarted while Boult shouldered the blame for what *was essentially a problem* with the notation of the orchestral parts.

Davis's account was accurate and co-ordinated enough, but quite lacking in tension or rhythmic drive; the slow movement, which should melt into tingling remembrances of the *Midsummer Marriage* soundworld, seemed flat and unmagical, and the scherzo hobbled through its bounding additive rhythms.

In the Three Fragments from *Wozzeck* the textures had been sorted out with some care; the D minor Interlude was driven to a resounding climax, and Carole Farley gave a slightly pinched but idiomatic and comprehending account of the phrases from Marie's part.

In Bax's *Garden of Fand* on Monday, however, the control of line and instrumental weight was less certain; Bax in *such a vein requires just as* careful preparation as the Debussy and Ravel models from which he gleaned so much, and in the course of rehearsing such wide-ranging programmes as these, its tell*ing details could well slip by* unremarked.

Perhaps more truthfully it was the gap between prepara*tion and performance that* was never quite bridged here; an event to celebrate such a towering figure in British music needs a sense of occasion and that never seemed likely to be generated.

Sylvia Marcovici's playing of Bartók's Second Violin Concerto (another wartime British premiere, with Menuhin as soloist) epitomised it all – accurate, well co-ordinated and often tellingly lyrical in an unspectacular way, it could never gain a real sense of scale. The exchanges of soloist and orchestra were slotted uneventfully into place rather than allowed to work up any creative friction.

Andrew Clements

Bertice Reading at the King's Head

Bertice Reading will be appearing at the King's Head Theatre, Islington, N.1., from April 17 to May 21.

Entitled *Just A W.O.M.A.N.*, her jazz and blues show will be *presented Tuesday to Saturday* (8.00pm) and on Sunday at 3.00pm.

ENO's seat prices to rise by 23 per cent

An energetic flow of seven new productions set against a deteriorating financial situation was presented at the annual press conference of the English National Opera at the Coliseum yesterday.

Despite the fact that the ENO is defying the "rules" of its principal backer the Arts Council and is budgeting for a loss in 1989-90 it is still forced to raise its seat prices by an average *23 per cent with the* top seats costing £33 from August 24. However the balcony seats will only increase in price by 50p to £5.50 and £6.50.

The ENO is planning to press ahead with a full pro*gramme and to hope that* central Government will eventually come to its financial aid. Among the new productions are one world première, *Clarissa* by Robin Holloway which forms part of the ENO plan to *present one new commission* a season.

In addition there will be the rarity *Street Scene* by Kurt Weill, a cross between grand opera and musical comedy and first performed on Broadway in 1947 (and now a co-production with Scottish Opera); two works by Verdi, *A Masked Ball* and *Macbeth*; *The Return of Ulysees* by Monteverdi; *Beatrice and Benedict* by Berlioz; and another co-production, this time with Opera North, *The Love of Three Oranges* by Prokofiev.

The ENO's grant from the Arts Council of just over £7m has only been increased by 2 per cent for this season, and its £1.3m from Westminster Council is in doubt when the new local government financing comes in next year. Even so the ENO intends to lead the fight for greater arts funding and to press ahead with a full programme until bankruptcy looms.

Antony Thorncroft

ARTS GUIDE — March 31-April 6

THEATRE

London

Fuente Ovejuna (Cottesloe). Wonderful production of Lope de Vega classic by *Cheek By Jowl* director and designer Declan Donnellan and Nick Ormerod. The best National production in this venue since the Bill Bryden company. April 7-12, May 3-6 (928 2252).
Bed (Cottesloe). Imaginative reverie for old codgers in pyjamas and a sleeping den as big as the Great Bed of Ware itself. The delightful and unusual proceedings are scripted by Jim Cartwright, directed by Julia Bardsley. April 13-19, April 26-May 2 (928 2252).
Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. Fullish text, but no emotional or intellectual fire. April 12-15, May 2-8, 16-18, May 25-June 1 (928 2252).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's fine TV film An Englishman Abroad (734 1166).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, (930 2578, cc 839 1438).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc 741 9999).
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. (836 9987, cc 741 9999).

New York

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching *story of a Liverpool woman's* awakening in the Aegean Sea.
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually *startling and choreographically* feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Beggar's Opera (Folger). This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).
Paul Robeson (Eisenhower). Tony-award winner Ron Richardson alternates in the title role with Avery Brooks as the heroic American black singer, entertainer and civil rights activist in this new musical. Ends April 30 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. At the National Theatre (265 7411). *Shinsarayashiki Tsuki Amagasa (O Tsuka's Death)* depicts the uneasy relations between the upper and lower classes in the late 18th century and contains a famous scene in which the leading character breaks a vow and turns back to drink. (541 3131).
Nastasya. Benisan Pit (546 2087). Brilliantly conceived and executed adaptation (in Japanese) of Dostoyevsky's *The Idiot*, directed by Andrzej Wajda and starring world-famous kabuki actor Tamasaburo Bando as as Prince Myshkin.
My Fair Lady. Koseininkin Kaikan, Shinjuku (407 8155). Touring production (in English) of the classic musical, with James Harrison as Professor Higgins.
The Cherry Orchard (in English). Ginza Saison Theatre (535 0555). Peter Brook's widely acclaimed production.

SALEROOM

Question over Utrillo

Christie's kicked off the spring series of Impressionist and modern picture sales in London on Monday evening with an auction which was solid rather than sensational. The two most important items, a pair of Picasso's painted around 1920, sold within estimate, a Cubist "portrait" of his future wife Olga selling for £4.4m to an American bidder and a Classical head making £3.52m.

A Modigliani of a girl in a striped shirt also just crept over its lower estimate, selling for £2.7m, while a Salvador Dali of a pair of old boots set alongside his wife's ankle clad in snake bracelet was bought in at £360,000. All told the sale made £24.5m, with 15 per cent unsold.

The strongest demand was for the German school and there was an impressive auction record price for a painting by Paul Klee, the £3.8m paid by an American collector for a large abstract influenced by Bauhaus, "Uplift and Away," an evocation of flight. There was also a record for Max Ernst of £792,000 and for Otto Mueller of £396,000. Another success was the £660,000 paid for a couple of circus artists painted by Beckmann. A Pissarro view of Hyde Park, lost to view for many years, realised £440,000, an auction record for a Pissarro on paper.

The main excitement at Christie's sale yesterday of second division Impressionists was when Jean Fabris, the so called "moral guardian" of the work of Utrillo, stood up at the auction and cast doubts about the authenticity of lot 168, a Utrillo view of a snowbound Parisian street. James Roundell of Christie's Impressionist department politely said that he was happy to discuss the matter with Mr Fabris privately but that the sale would go ahead.

He affirmed that Christie's was totally happy with the authenticity of the work which subsequently sold to Global Fine Arts, a New York dealer, for £104,500, at the bottom of the estimate of £100,000-£150,000. But Mr Fabris seems to have blighted the demand for Utrillos, always by their very profusion something of a drag on the market, and four of five more works by him in the sale were unsold. Mr Fabris intends to continue his vendetta at Sotheby's, which is disposing of a batch of Utrillos today.

The auction itself was very lack lustre, raising £4.39m, but with a high 34 per cent unsold. Top price was the £264,000, well below forecast, paid by a Swiss dealer for two circus clowns by Berbard Buffet.

Antony Thorncroft

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Too much, yet too little

ONE VIEW of the debt crisis is that the citizens of indebted developing countries sold their countries short, while the commercial banks of the developed countries took the long position. The proposals from Mr Nicholas Brady, the US Treasury Secretary, should then be viewed as an attempt to shift a portion of the risk yet again, this time onto the international financial institutions. Since the Europeans and the Japanese contribute substantially more to these institutions than the US, this is rather a clever way for a fiscally constrained US to resolve a major security concern at the expense of its allies.

The question is whether the US has been too clever by half. By giving legitimacy to debt reduction the US has aroused enormous expectations in indebted countries. Brazil, for example, talks of cutting its external debt in half. But the *official resources available are* too small to meet so ambitious an objective, with the US authorities mentioning 20 per cent as the maximum that can be achieved. There is a danger that Mr Brady has undermined the muddling through of the past, without putting anything adequate in its place.

The somewhat grudging acquiescence of some European countries, notably the Netherlands, the UK and West Germany, is understandable. But it is short-sighted. The new US approach is an *advance, for it recognises that* most of the heavily indebted developing countries will not, in fact, trade their way out of their debt problems. Losses must be taken. The questions are how, and what role official resources should play.

Drawbacks

One should recognise that all approaches possess drawbacks. Under voluntary debt reduction, the smallest benefits will go to countries that are most successful in their effort to *adjust while banks that do not* participate in debt reduction will benefit at the expense of those who do. But official involvement creates further problems. There is a valid objection to concentrating scarce resources on those who were rich enough to get into *difficulties with commercial* lenders and too incompetent to get out of them. Commercial creditors will also try to shift as large a share of the losses as possible onto the official sources.

Income distribution

Given all the risks, the Group of Seven industrial countries were right to insist that there is no moral or practical case for official support to generalised debt relief. It is important to remember not only the scale of capital flight, but also how income is distributed in key indebted countries. According to the World Bank, the richest 20 per cent of Brazilian households enjoy 67 per cent of national income, while the bottom 20 per cent makes do with a nugatory 2 per cent. If adjustment has borne heavily on the poor (as it has), why should this avoidable *development concern the governments* of the developed countries more than it has the élites of the countries concerned?

Extensive involvement of official lenders in debt relief can be justified only by correspondingly extensive policy changes in indebted countries. It is a way of rewarding the more competent and determined for their adjustment efforts. How the financial assistance should be provided is a secondary question. Once losses on past loans are being *recognised, however, debt* reduction becomes a highly effective vehicle for official assistance.

At present the international institutions do not possess resources on the scale required without threatening either their own financial health (this being particularly true of the World Bank) or access to their funds of the more deserving. If the developed countries have accepted the case for official participation in debt reduction, they should take the next step, of creating substantial special *funds for that purpose within* the World Bank and IMF. Only when armed with substantial resources, can the international financial institutions hope to secure policy changes that will justify their taking more of the long position than they already have.

Mr Gorbachev in London

MR MIKHAIL Gorbachev arrives in London tonight on his third visit in five years. More to the point, it is the first in a series of foreign visits he will be paying this summer, notably to China, West Germany, France and Italy.

While there clearly is a good personal rapport between him and Mrs Margaret Thatcher, it would be wrong to make too much of this. Western leaders should bear in mind that in his dealings with all of them he is pursuing his own diplomatic strategy, and that they still have a common interest to identify and defend. For many of them the Nato summit in May will be a less enjoyable *occasion than their bilateral* meetings with Mr Gorbachev, but agreement on a common Nato strategy should still be their aim.

That was presumably what *Sir Geoffrey Howe had in mind* when he spoke on Panorama, the BBC television programme, on Monday night, with his rather strained metaphor of the "well-stocked hatful of well-armed rabbits," meaning the ability of the Soviet Union to remove or decommission a whole range of conventional weapons in Europe without seriously affecting its overall superiority.

But Mr Gorbachev will hardly try to pull a new rabbit out of the hat in each Western capital that he visits. He is more likely now to emphasise the need for progress in the various multilateral arms control negotiations, and he may well be clever enough not to raise with Mrs Thatcher the issue of short-range nuclear weapons, leaving it instead for Nato allies to quarrel about among themselves.

Substantive discussion

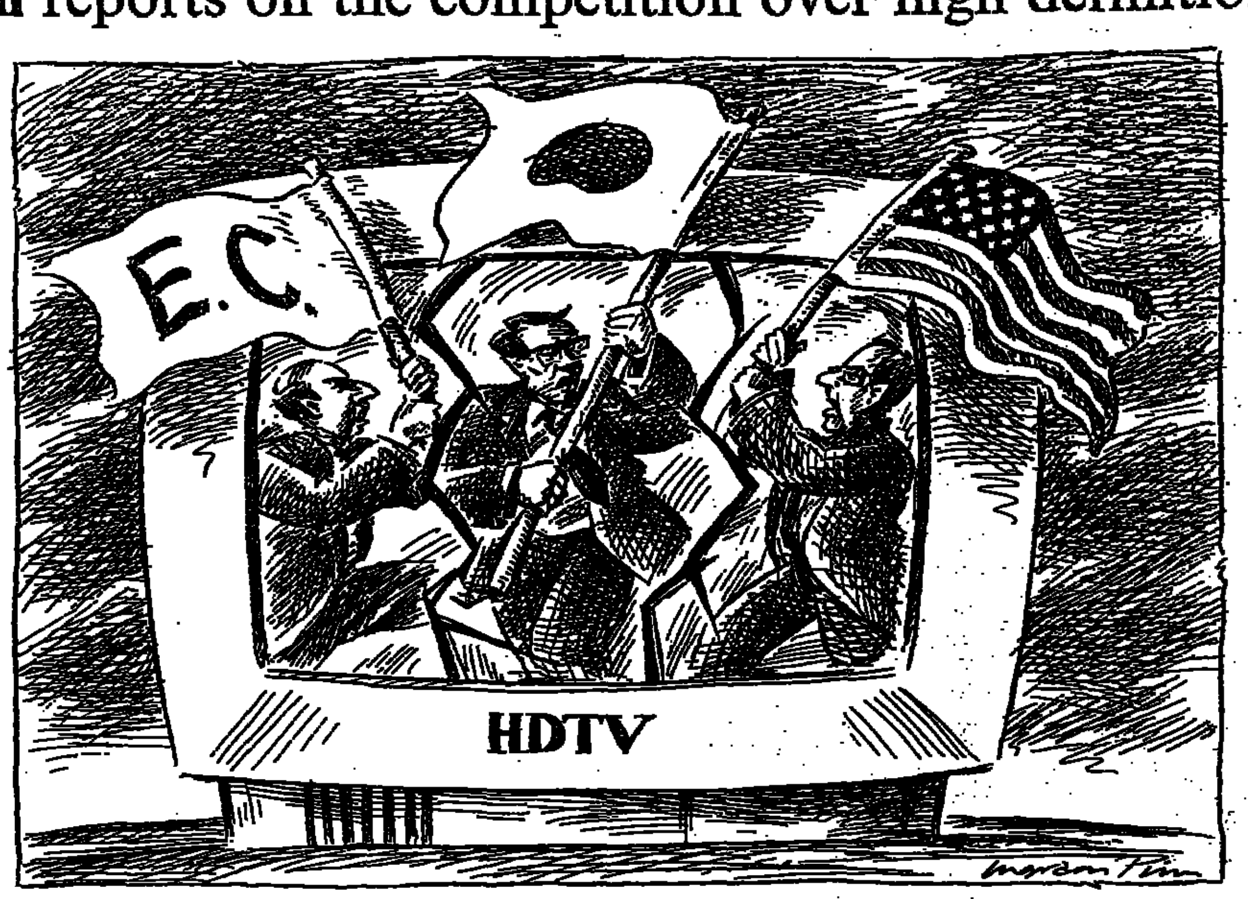
The subjects on which more substantive discussion can be expected during this visit are "regional" problems (notably Southern Africa and Afghanistan) and human rights. Mrs Thatcher will certainly express her appreciation for the Soviet role in helping to bring about last year's agreement on *Angola and Namibia*, and more especially for the continued Soviet support for the agreement and for the UN peacekeeping force in the last few days, when there must have been great pressure on Moscow to come out in support of SWAPO. She will probably also wish to explore with Mr Gorbachev the possibilities of involving the African National Congress in a new effort to bring about change by negotiation and without further violence in South Africa itself.

Negotiated settlement

On Afghanistan it is Mr Gorbachev who will be asking Britain to use its influence with the US and with Pakistan to bring about a negotiated settlement, now that he has fulfilled his pledge to withdraw Soviet forces. Mrs Thatcher will be reluctant to do *anything that looks like selling out* the Afghan resistance or legitimising the communist regime. But it is true that a conflict of interest is becoming increasingly apparent between *the Peshawar-based alliance of* parties, dominated by Islamic fundamentalists and backed by Pakistan's military intelligence service, and the mass of the Afghan people whose main demand is for peace and a government which will leave them alone to rebuild their homes and their lives. Mr Gorbachev certainly has no credentials to speak for the Afghan people, but he and the West working together might yet be able to help them.

On human rights, finally, the most tangible issue which continues to dog Anglo-Soviet relations is that of the Jewish "refuseniks". Ironically the number of long-term refuseniks – that is people who applied to leave the Soviet Union before January 1987, have reapplied since and had their applications refused – is now no higher than the number of Soviet Jews who *are* being allowed to leave each *month. Jewish lobbies in the* West are anxiously awaiting the appearance of new Soviet legislation on the subject. If, as is hoped, this puts a reasonably short time limit (say three years or less) on the restriction applied to would-be emigrants who had access to state secrets – other than people who voluntarily accepted such restriction *when taking a particular* job – the problem could actually be solved, and the way to the lifting of the Jackson-Vanik Amendment restricting US-Soviet trade would thereby be opened.

Hugo Dixon reports on the competition over high definition television



The battle to enter your living room

Europeans say they will be overrun by Japanese technology and American soap operas if they do not take a stand. Americans fear that parts of their computer and defence electronics industries will go the way of their consumer electronics industry unless they get into the race. The Japanese, meanwhile, complain that the Europeans and Americans are trying to stop an innovation that will benefit humanity out of an irrational fear of competition from the Far East.

The three-cornered fight over high definition television (HDTV), a new *technology which will bring to people's* sitting rooms pictures as sharp as those available on a cinema screen, has all the ingredients of a high drama.

This battle – which at one level *boils down to how many scanning* lines there should be on the TV sets of the future – has not been confined simply to the technical boffins, or even the world's industrialists. The issues have been portrayed as so vital politically, industrially and culturally that politicians have also been drawn into the fray.

Lord Young, the UK Trade and Industry Secretary normally known for taking a laisser-faire approach to trade disputes, backed the European solution to the row when he appeared in front of newly developed European HDTV cameras on the beach at Brighton last September.

French President François Mitterrand persuaded his European colleagues at a *summit last December to* sign a communique stressing the "extreme importance" of developing "Europe's audiovisual capacity."

Mr William Verity, the last Commerce Secretary of the Reagan administration, felt that the issue was so crucial that American companies should be allowed to club together not just to develop HDTV technology, but manufacture and market the sets at well – a proposal at odds with America's traditionally vigorous anti-trust policy.

European and American politicians are taking up such positions because they are convinced that the stakes in the HDTV war are high. At the root of their concern is the fact that Japan has made a big push to develop HDTV technology and will be ready to broad*cast next year – four years ahead of* their competitors.

European industry has fought back by launching an Ecu 200m (£305m)

These separate initiatives mean that the world will go into the next century with three rival TV standards

project, under the auspices of the Eureka initiative for high-tech collab*oration, to develop its own version of* HDTV.

This project is led by Europe's big TV manufacturers – Thomson of France, Philips of the Netherlands and Bosch of West Germany – and has financial backing from several governments. Broadcasts are expected to start some time in the mid-1990s.

The Americans are even further behind, mainly because the US television industry barely exists any longer. Thomson and Philips are now the major TV manufacturers in the US, and Japanese suppliers such as Sony and Matsushita also have a strong presence there.

Even so, 17 US companies – mainly from the computer, telecommunications and semiconductor industries – announced in January that they were considering setting up a joint venture to develop an American version of HDTV. The idea would be to do joint manufacturing and marketing as well as R&D, on the lines of Mr Verity's comments.

The upshot of these separate initiatives is that the world will go into the next century with three rival TV standards. To understand why, it is neces*sary to appreciate* the fear that electronics companies in Europe and America have of Japanese industry. They have seen the Japanese pick off electronics markets one by one – audio equipment, photocopiers, facsimiles, memory chips – and are scared that Japan will consolidate its already strong position in the television market as well.

If the Japanese proposals on HDTV are accepted, the argument runs, they would have a head start of several years which would enable them to drive their competitors out of the market place. That in itself would be bad enough.

Much worse, though, is the possibility that Japanese companies would use their lead in HDTV to oust their competitors from a series of other high-tech industries which could be profoundly changed by the advent of HDTV. This concern explains why companies such as IBM, the world's largest computer company, and AT&T, the telecommunications giant, are involved in the American initiative.

The principal industries which would be affected by HDTV are:

- Computers, because the high-quality pictures developed for HDTV could be used for computer screens;
- *Semiconductors*, because HDTV sets would consume large quantities of memory chips and microprocessors;
- Consumer electronics markets, such as video recorders, which would have to dovetail with new TV sets;
- Certain defence, medical and factory automation markets, which could be revolutionised by the availability of sharper images.

It has been suggested, for example, that HDTV could have stopped the tragic shooting down of the Iranian airliner last year, because the US war*ship would have had a better radar* picture, helping it to identify the aeroplane as a civilian one.

Some observers feel that the importance of HDTV has been hyped by Western companies which are feeling the pinch of competition from the Far East and want governments to subsidise their research efforts. They also question whether playing around with standards will buy Western industry more than a brief breathing space. Other observers wonder whether consumers will buy the products, given that they will cost about $2,500 (roughly £1,500) each when they first appear.

The consensus among market researchers, however, is that HDTV will be big business, even though it may take a long time coming. BIS Mackintosh, for example, predicts *that worldwide sales of HDTV sets* will reach $6bn in 2000 and then jump to $18bn in 2010.

Meanwhile, Jonathan Drazin, an HDTV specialist at Dataquest, says that related markets such as computer screens could be as important as the market for the TV sets themselves. He dismisses as alarmist, however, predictions made by some that the US could be driven out of the *chips business if it does not get into* HDTV.

The Europeans and Americans have not confined their criticism of the Japanese proposal to the possible industrial damage. They have also been making great play of their claim that the Japanese system would require consumers to throw away their existing TV sets.

This claim results from the fact there is no single standard even for the present generation of TV sets. The Japanese and American have 525 lines on their TV screens, while Europe and most of the rest of the world have 625 lines.

Neither of these systems gives particularly good reception, mainly because the lines are not packed together tightly enough and the pictures do not change sufficiently quickly. These deficiencies lead to fuzzy images and pictures that flicker.

HDTV overcomes these problems by increasing the number of lines and adding fancy electronic gadgets to manipulate the image. The argument is over precisely how many lines there should be on the new sets. The Japanese have chosen 1,125, the Europeans are going for 1,250 and the Americans are likely to pick 1,050, although they have yet to make their minds up.

What the Europeans and Americans object to is the fact that 1,125 is not a simple multiple of either 525 or 625, with the result that the Japanese system will not be compatible with any existing TV sets. Their solutions will be compatible, they argue, because 1,250 is double 625 and 1,050 is twice 525.

The Japanese response to these criticisms is that the European HDTV *standard will not be fully compatible* with existing TV sets either. "As soon as they start talking about compatibility with existing receivers, they have to stick with the past," says Mr Masahiko Morizono, Sony's Vice President. "Don't be taken in by the magic word 'compatibility'."

Cutting through this highly charged debate is tricky. In the modern world of electronics, there is no such thing as complete incompatibility. One standard can always be converted to another, although there are costs in doing so.

When HDTV broadcasts begin, it will therefore be possible to receive them on conventional TV sets by adding a convertor. Viewers would not be able to enjoy *the full glory of* HDTV – they would have to buy completely new sets to do that – but they would be able to watch ordinary low-quality pictures.

The difference between the European and Japanese systems is the degree of incompatibility – in other words, the cost of conversion. It would be fairly cheap to convert a Japanese set to Japanese HDTV or a European set to European HDTV. Converting a Japanese set to European HDTV or a European set to Japanese HDTV, however, would be prohibitively expensive, says Dataquest's Mr Drazin. For this reason, the Euro*peans would, in practice*, have to throw away their existing sets if the Japanese system were adopted and vice versa.

The argument over compatibility has succeeded in driving the world into opposing camps and no compromise now seems possible.

The question is: does this matter? The Japanese say it does. Their industry has already spent about $700m developing HDTV and they believe the Europeans and Americans are wasting their money by duplicating this effort. "They are putting a lot of money into inventing another wheel," says Mr Morizono. "All development costs will have to be borne by consumers."

Consumers would also suffer because the cost of making films and television programmes will be higher than it need be, argues Mr Morizono.

One of the attractions of HDTV is that its picture quality is so good that the movie industry might be enticed to use it for making films. This would mean that programmes could be made for both cinema and TV with the same equipment and there would no longer be any need to go through the time-consuming business of converting programmes from one medium to the other.

However, the standards war might deter the industry from making the switch from celluloid, as it would not know which system to pick.

The Europeans would, in practice, have to throw away their existing sets if the Japanese system were adopted

Similarly, a single HDTV standard would allow programmes made in one country to be shown automatically in other countries. As advances in communications make the world a smaller place, such cross-fertilisation will be increasingly important, says Mr Morizono.

"From a human culture point of view, we have to exchange programmes so that people can learn about each other. If you have two or three separate standards, this makes it impossible," he says.

Although a single world standard for HDTV would from one point of view be ideal, it is far from clear that the damage from having several will be as great as *Mr Morizono claims*. There will always be ways of transferring programmes from one system to another. Moreover, while this will certainly add to costs, the extra expense will probably be much less than if consumers in Europe had to throw away their existing sets.

OBSERVER

King for the Treasury?

■ Ian Byatt's appointment as director general of the new Office of Water Services creates a job vacancy of some importance in the Treasury.

Byatt, the deputy chief economic adviser, was the top *micro* economist at Great George Street, with responsibilities from tax reform to the regulation of nationalised industries.

Despite Byatt's efforts and Chancellor Lawson's rhetoric *about supply-side reform*, microeconomics remains a backwater in the Treasury: more than 70 per cent of its *economic staff are employed* in econometric forecasting or macroeconomic analysis. That is a smaller proportion than in the 1960s, but is hardly the structure required for the 1990s.

The best way to raise the profile and quality of Treasury microeconomics would be to appoint a dynamic outsider as successor to Byatt. One person who springs to mind is Mervyn King of the LSE. Such an appointment would raise the likelihood of radical tax reforms in the 1990s. Besides, he is already something of an insider, having had an influence on last month's budget.

An academic of King's quality might not want to play second fiddle to Sir Terence Burns, the chief economic adviser. But Burns, a forecaster, has been in his job almost as long as Margaret Thatcher has been Prime Minister. He must surely return soon to the private sector. And the eventual replacement of a forecaster by a microeconomist would signal a real commitment to supply-side policies.

In the red

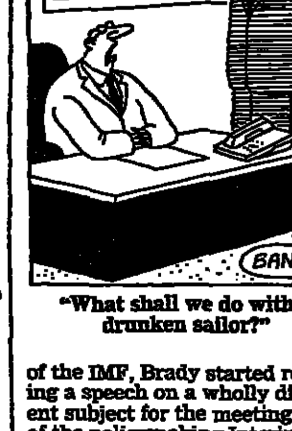
■ The small Japanese bank which changed its name from Sanyo Sogo to Tomato Bank has made a big hit with its customers. When the change of name came into effect on Monday, people queued to open new accounts and secure bank books emblazoned with a ripe tomato. In a single day the *bank took Y68.5bn, increasing* its total deposits by almost 15 per cent.

Tomato Bank said the name had an even bigger impact than it had expected. Four times more customers came through its doors than usual – 43,700 people, some of whom *waited for more than an hour* for their bright red bank books. The bank had also printed a more modest version in black and white, but few customers wanted it.

No Ministers

■ The one consensus that has emerged so far from this week's trade meeting in Geneva is that Ministers are *definitely not wanted*. Clayton Yeutter, the US Secretary of Agriculture, has had to cancel a planned informal visit after a deluge of complaints from other countries, worried that he was trying to sneak in through the back door to a meeting that has been strictly labelled "for senior officials only."

Some countries such as Australia threatened to send their own Trade Minister, if Yeutter persisted with his plan. As US Trade Representative in the Reagan Administration, all Yeutter *wanted to do was* say goodbye to his old colleagues.



"What shall we do with a drunken sailor?"

Brady's lapse

■ Nine months as US Treasury Secretary has not improved Nicholas Brady's standing with his fellow finance ministers. At a meeting in Washington on *Monday of the Group of* Ten to discuss the finances of the IMF, Brady started reading a speech on a wholly different subject for the meeting of the policymaking Interim Committee, due to *start* an hour later. When called upon to intervene in the discussions, he appeared to concede a point which the leading industrial countries had previously *agreed not to*.

European finance ministers and central bank governors are also tiring of Brady's repeated promises that the US is determined to reduce its Budget deficit. "Controlled impatience" was the reaction of one European minister.

Nigel Lawson produces even stronger reactions, particularly from France's *finance minister*, Pierre Bérégovoy. Referring to the debate at the Washington meetings over Third World debt, Bérégovoy talked of "traditional recalcitrants" like Britain. When asked whether sterling should be a full member of the EMS, he said it might provide a certain amount of discipline to help *contain inflation, yet the decision* lay not with Lawson but with "Madame Thatcher".

Banks on show

■ The big five English clearing banks are about to appear on the same platform for the first time, though it has taken the Americans to bring them together.

Note the "big five". The *Americans are very tactful*; the fifth is the TSB Group. Note also the word "English". If it had been British, it would have offended the Royal Bank of Scotland, which is not represented.

The occasion is the first Global Banking Conference to be held by Salomon Brothers in New York tomorrow and Friday. It was thought up by William Vincent, the Salomon banking analyst in London, and Tom Hanley, their analyst in the US. But *it* will not be just another conference on the state of the world economy.

Vincent says that the idea is allow non-US banks to explain what they are doing to an invited audience of Salomon's American customers. They might, for example, want to talk up their share price by persuading Americans to invest in them.

The conference will become *an annual event. The British* banks will not always be represented so prominently, however. Along with the Spanish, they make easily the most powerful contingent this week.

The only German bank on the platform is the Deutsche. Next year, says Vincent, Salomon might be looking more to the Swiss, the French and the Japanese banks. So the British had better make their pitch while they can.

Almost there

■ Overheard: "My wife and I finally settled last night what kind of a holiday we want this year. All we have to *do* is find a beach in the country."

Mr Shamir goes to Washington

Lionel Barber and Andrew Gowers examine the changing nature of the relationship between the US and Israel

For Mr Yitzhak Shamir, the Israeli Prime Minister, who arrives in Washington for talks today, his American patrons' Middle East policy is proving just a little too active for comfort.

For President Hosni Mubarak of Egypt, who visited the White House on Monday, the Bush Administration is not pushing hard enough for peace negotiations in the region.

For both men, it should be clearer by the end of the week whether the Bush Administration is preparing for a serious effort to restart the Arab-Israeli "peace process".

Over the past 10 years – since the US-mediated Camp David accords between Israel and Egypt – progress has been glacial. Washington's sporadic efforts to engineer peace with Israel's other Arab neighbours, or at least to control the damage, have often left it in the position of a bruised bystander.

The Bush administration's watchword, therefore, is caution. The dialogue with the Palestine Liberation Organisation launched by the Reagan Administration last December may be forcing all parties to reconsider their positions and may have opened up new mediation possibilities. But Mr Bush has been anxious to squash any suggestion that he might try to force a reluctant Israel into negotiations or seek to impose a solution.

In the face of calls for immediate preparations for an international peace conference, US officials reply that the time is not ripe; they talk of "tilling the ground" until the regional parties are ready to move towards direct negotiations.

This partly reflects the character of the US Secretary of State, Mr James Baker, who has little inclination for Grand Designs. The new Administration's low-key approach also reflects, *however, changing perceptions of the* nature of the conflict.

A Washington study group which included two of Mr Baker's key aides argued last year that the Palestinian uprising (or *intifada*) in the Israeli-occupied West Bank and Gaza Strip is making traditional American styles of mediation redundant. It has shifted the emphasis from an inter-state conflict with overtones of superpower rivalry back to the original core of the dispute, that between Israelis and Palestinians within what used to be Palestine.

The internal problems of America's closest regional ally, Israel, have become more sensitive and apparently intractable. But the ostensible motive for US involvement in the search for peace *during the 1970s – the need to* combat Soviet penetration – has become less pressing, despite Mr Eduard Shevardnadze's recent headline-making regional tour. Moreover, there is not the sense of alarm generated a decade ago by Arab oil power.

"The *intifada* may have made the achievement of an Arab-Israeli settlement more urgent, but it seems also to have rendered a negotiated solution less possible," said the study group.

This is not to say that the US has been inactive or that many Israelis are not deeply worried about the future of their ties with their key supporter. Israel's top strategic think tank, the Jaffee Centre, predicted last month that if the status quo persists in the occupied territories, the relationship could now be in for a slow process of attrition.

Mr Shamir's national unity government, still reeling from the US decision to override its objections and talk to the PLO, has failed to persuade Mr Baker to *abandon the dialogue. It is difficult to* overstate the setback this constitutes for Israeli diplomacy, fomrerly based on the premise that Washington would consult it on every step in the region.

Mr Baker has now outlined a series of tension-reducing, confidence-building measures which he wants Israel and the PLO to accept in order to lay the foundation for direct talks between the parties. He has also made it clear that Mr Shamir must bring some "new ideas" in *order to avert ructions in the US-Israeli* bilateral relationship.

It is not clear what will qualify. Mr Shamir's aides have indicated that he may propose a scheme involving elections in the occupied territories in which Palestinians can choose representatives for negotiations with Israel. The PLO is not going to sanction such a move without recognition of its own role in the peace process and while both the US and Israel rule out its goal of an independent Palestinian state.

Nevertheless, the wily Mr Baker has already twice stated in Congressional testimony that he is not prepared to dismiss the idea of future Israeli-PLO talks, saying: "It would be wrong for us categorically, absolutely, totally and *completely to rule out under any circumstances* any dialogue which might lead to peace."

In so doing, he has deliberately uttered what for many years in the US was the unutterable. A similar shift of language was noticeable in Mr Bush's comment after his meeting with Mr Mubarak on Monday. "Egypt and the US share the goals of security for Israel, the end of the occupation, and achievement of Palestinian political rights," he said. It is unlikely that President Reagan would have made such a reference to "the occupation." And, in another comment which is unlikely to have pleased Mr Shamir, the US President went on to repeat his commitment to "a negotiated settlement, towards which a properly structured international conference could play a useful role at an appropriate time."

What was once rock-solid public support in the US for the state of Israel still continues, but it it is no longer unquestioning. *Moreover, it is matched by* polls showing that the majority of Americans who favour the US-PLO dialogue has grown to two-thirds. TV coverage of the Israeli army's suppression of the Palestinian *intifada* is taking its toll on US public opinion; some surveys show almost one in two Americans hold a negative impression of Israel. And as the Israeli image suffers, so the PLO image continues to improve.

The shift in political mood is reflected in the American Jewish community, traditionally one of the best-organised and most vociferous political constituencies in the US. Most American Jews have acquiesced in the dialogue with the PLO, providing that the Organisation adheres to its verbal renunciation of violence. "We are worried," says Mr Henry Siegman, executive director of the American Jewish Congress, "but we are not active."

This stance takes the pressure off Congress, although a few core supporters of the Israeli Government have voiced dissent. This is countered by veiled warnings from others that in an era of budgetary constraint, Israeli human rights violations may damage the case for generous US foreign aid – *which amounted to $25bn under President* Reagan and which remains a vital lifeline for Israel. Most observers dismiss the notion of pressure through foreign aid cutbacks: "It is too crude and it would backfire," said one Congressman. But a senior State Department official detects unease on Capitol Hill at the proportion of the aid cake – 35 per cent of the total – allocated to Israel and Egypt alone.

Mr Baker is evidently seeking to encourage a step-by-step process which would eventually involve some form of direct negotiations between Israel and the Palestinians, international approval and the implementation of interim peace measures over several years before the final status of the territories is resolved.

The hallmark of such a plan is its down-to-earth, practical approach which depends on further movement by the parties themselves, and especially by the PLO. Mr Barry Rubin, an analyst *with the Washington Institute, says it* can only work if the PLO continues its apparent metamorphosis into a non-terrorist organisation which is prepared to recognise the state of Israel. "If the PLO does not move, then the US will not push Israel," he says.

Whether this is enough to bring about a negotiation is another matter. The PLO, which clings to the belief that the US can be induced to deliver Israel to the international conference table, *has been showing impatience at the* slow pace of American activity.

Nevertheless, Mr Siegman is one of many American Jewish leaders who believe, like Mr Shultz, that external events are pushing Israel. What is unclear is the degree to which this is recognised by Israeli political leaders.

Reform in the Soviet Union

The solution lies in the co-operative movement

By Victor Vladimirovich Aksyutich

It is obvious that President Mikhail Gorbachev is pressing for radical reforms in all aspects of Soviet life. However, one must ask what these reforms really are and how they affect the ordinary Soviet citizen. Without understanding this, the West will fail to understand exactly what Mr Gorbachev is attempting to achieve.

The reforms are aimed at the emancipation of creative initiative and responsibility by both the state and the individual. In fact, the rhetoric promises more than it delivers. It speaks of free enterprise (in coded terms), freedom to trade with other countries, the opportunity to lease land and buy flats, the rights of the individual and freedom of expression.

Yet, in the past four years, *life in the Soviet Union has* changed little for ordinary people. Of the thousands of co-operatives formed in the past two years, the majority still face tremendous hurdles in overcoming the bureaucratic dominance of the system. The resolution passed at the end of 1988 will only serve to curtail the activities of those prepared to follow the reforms through. The opportunity to voice alternative ideas is only allowed when it does not threaten the supremacy of the Communist bureaucracy – those that do speak out still suffer imprisonment, harassment and psychiatric internment.

Yet, the opportunity for genuine and far-reaching change does exist. Mr Gorbachev has released a genie that will not go back into the bottle. He can*not turn back since he can no* longer rely on the support of the Communist old guard, such as Ligachev, or the lower echelons of the bureaucracy. He has only one option – to move forward. To do this he must align himself with his real supporters – those who have attempted to put his reforms into practice. These are those in the co-operatives, who are attempting to devise new solutions – although not communist – to today's problems. If Mr Gorbachev continues to ignore such people, the frustrations will fester and find less constructive forms of expression.

Having unleashed the forces, Mr Gorbachev must use his new position as head of state to push through radical reforms to gain the support of the new civic society which his reforms have created. If he does this he will transform himself from a leader of the Party to a leader of the country. This is the only chance he has to preserve and stabilise his own power. Unless he *does so, and quickly, the* social forces which he has unleashed may pull him down from his Party pedestal.

It appears that Mr Gorbachev understands this and is beginning to build a new power base in the soviets (local councils). Whilst it is hoped that power will gravitate towards the state apparatus rather than the Party apparatus, Mr Gorbachev must *include the many other groups* which have formed. And the final step must be to allow the reforms to be tackled in a more coherent and forceful manner and to commence transfer of decision-making away from the central Party structure.

Even this will not be enough. Mr Gorbachev must also allow the formation of a civic society. This requires tolerance from the authorities, which should extend to those disagreeing with the Party line. Tolerance of alternative ideas is the keystone to a civilised society and the means to progress and development. Without tolerance, society becomes distrustful, deceitful and destructive. Men with dreams and visions turn inward or cease to exist. Society stagnates.

It is in economic reform that changes are needed most urgently. Many areas, including Moscow, are suffering severe shortages of basic items and are now faced with rationing of items such as soap, washing powder, meat and clothing. The co-operatives have sought to rectify some of the imbalances, but they are at present too small, too few, and about to face even greater hardship because of the recently introduced new restrictions. But it is this very form of economic organisation on which the future of the Soviet economy depends.

Forming a co-operative requires courage, patience and a vast amount of time spent dealing with bureaucracy. Finance has to be raised. Raw materials must be obtained – control of which is governed by the state. Workers have to be found who are prepared to take the risk of either earning nothing or a lot. Then one must find a market.

From April, co-operatives will be allowed to form trade agreements with Western companies. To ensure that this happens and that the new restrictions are not added to, it is vital that Western companies seek out Soviet co-operatives with which to trade.

This is important for three reasons. First, if Western companies want to trade and not simply entangle themselves in red tape, the co-operatives are *the best option. Second, if the* co-operative movement is to survive and develop it must expand its markets – both to sell goods and acquire goods to sell in the home market. Third, the co-operative movement offers the ordinary people of the Soviet Union hope of improving their standard of living, using their initiative and escaping from the dogma of state control.

There is a new breed of man in the Soviet Union today: a radical, educated and committed patriotic entrepreneur. Even I am surprised at the speed and extent of this phenomenon. If the West wants constructive reform in the Soviet Union, then it should not support Mr Gorbachev directly. Instead it should support the independent-thinking part of the civic society which is becoming the main prop for his reforms.

By supporting Mr Gorbachev alone, the West will risk failure of the reforms and only succeed in drowning the reformer. By supporting the prop on which Mr Gorbachev must rely to survive, the West will help the Soviet President and allow reform to proceed along its natural course.

The author, who has been involved in various dissident activities, is currently editor of a monthly Christian journal, Vibor (Choices), published in the Soviet Union as part of a co-operative venture.

LETTERS

Calculated in figures

From Sir Donald MacDougall.

Sir, The Treasury's Autumn Statement, in November 1988, contained a table which showed, *inter alia*, productivity in manufacturing rising by 4½ per cent a year between 1979 and 1988.

This was compared, quite legitimately, with two earlier periods, both between cyclical peaks: *1964-1973 and 1973-1979.*

Since then, estimates of recent levels of employment in manufacturing have been revised upwards, resulting in a downward revision of productivity growth between 1979 and 1988 to 4.2 per cent a year – which makes the comparison with 1964-1973 less favourable.

Could it possibly be for this reason that, in the Financial Statement and Budget Report published on Budget Day (March 14), the corresponding table compares different periods, the last being *1980*-1988, which shows manufacturing productivity rising by 5¼ per cent a year?

This seems to me misleading as an indication of the trend growth rate, because manufacturing productivity was at a trough in 1980, 4 per cent *below the 1979 figure.*

Donald MacDougall,
86a Denbigh Street,
Westminster, SW1

Restrictive practices at the Bar

From Mr Philip Harris.

Sir, In the course of his attack on the Lord Chancellor's green paper, *Lord* Alexander welcomes bringing legal services within the ambit of the Restrictive Trade Practices legislation, as the Government proposes in its green paper of March 1988 on that subject.

It is a pity that this volte-face on the part of the Bar has come so late in the day.

My impression is that the *legal* profession and its supporters bitterly resisted the inclusion of their services within the 1973 Fair Trading Act (see Schedule 4).

I do not know when they changed their minds, but if the problem *had been dealt* with more gradually under that act, like other services, it might not now need what they complain is *precipitate* action.

In this connection a further point may not be without pertinence.

Time and time again, parties required to demonstrate, under the restrictive practices legislation, that their restrictive practices were not contrary to the public interest, have strenuously argued that abolition would have led to higher prices, reduced availability, inadequate services, or other seriously detrimental *effects* on users and consumers, or variants on the end of civilisation as we know it.

In a few cases, the court was indeed convinced of the validity of the argument. But in general, few would now argue that disaster has in fact been the outcome. Indeed, I believe that it is now generally accepted that the restrictive practices legislation has been of very substantial benefit to the public.

Putting aside the theological disputation about the benign or malign effects of market forces, is it not fair to say that the *essential* point *is whether* or not members of the public are to be denied the ability to decide for themselves what scale and character of legal services to employ in any particular case?

Further: are competent and *experienced practitioners of* integrity to be denied the ability to exercise their calling to the full, whether as advocates, *judges or, indeed, conveyancers?*

To defend such practices requires a formidable burden of justification.

If – as it is argued – the provision of legal services is very different from the supply of goods and services in general, the adoption of typical advertising ballyhoo seems hardly likely to advance its case.

Philip Harris,
23 Courthouse Gardens,
Finchley, N3

Gas profits

From Mr Ivan Whitting.

Sir, Lucy Kellaway's article on British Gas (March 30) contained several *illustrations of* the gap between reality and perception about the performance of the company since privatisation, which we must work harder to close.

She says that results so far have left the City disappointed with profits static at £1bn in the first year as a publicly quoted company. The reality gives quite a different picture.

After adjusting for the massive change in debt structure introduced on privatisation, after-tax profit on a historical cost basis (the basis preferred by City analysts) went up from £577m in 1986 to £681m in 1987 and then to £816m in 1988.

This last figure is the actual outturn in a particularly warm year, which held profits back by about £70m. This strong underlying growth in profitability was reflected in a 23 per cent increase in the dividend in 1988, compared with the 1987 pro-forma dividend of 6.5p as stated in the prospectus.

Such results are hardly the grounds for "disappointment" – our results in 1987 and 1988 have been significantly higher than City analysts' forecasts at the time of privatisation in the autumn of 1986, and those made subsequently.

Ivan Whitting,
British Gas,
152 Grosvenor Road, SW1

Focus on beneficiaries

From Mr John Argenti.

Sir, Mr Lundy suggests (Letters, March 31) that companies should aim to benefit three different groups of people; employees, shareholders and customers. But if he invokes the "stakeholder theory" in this way, he should logically go on to include all the other categories of a company's stakeholders: suppliers, the local community, the state, the environment and so on.

Theoretical and practical difficulties quickly arise. I am amazed that anyone still believes that it is possible to manage such multi-purpose organisations, where management is called upon to act as a sort of Father Christmas, dishing out benefits without any trade-off rules to show who should get what.

But it is not only company managements whose focus has been clouded by this theory. It was obviously felt in some quarters that a school ought also to benefit everyone: teachers, local community, janitors – oh yes, and the children (I almost forgot). The same could have been said, at least until recently, of the NHS, Heathrow Airport, and others which had plainly lost their way.

Surely what we want is not those rambling, wide-spectrum organisations so beloved of Victorian liberals, but sharp, single-minded ones which have clearly identified just one group of intended beneficiaries whose management can therefore accurately target the organisation's resources to meet their particular needs – of course always acting towards other groups of people within the norms of accepted social behaviour.

John Argenti,
Pettistree Lodge,
Woodbridge, Suffolk

Government of the people . . .

From Miss M. Watchorn.

Sir, Democracy means representation for all the people. Proportional representation is not practical, but the UK could have a system of election, rather than one largely of rejection.

The recent Soviet election has been most interesting. There, a candidate has to obtain 50 per cent plus of votes cast to be elected – none of the Westminster system of sliding in on a minority vote. A no-majority entails a second election which, interestingly, allows the introduction *of new* candidates – not limited to Party members.

This results in a much wider representation of the people as a whole than that which can be obtained from a political-party-only system.

When people can choose, and can vote for a candidate who most represents their views and wishes, they will use their vote rather than abstain, as many UK voters now do. We could have a democracy in Britain where a minority-vote government would be impossible. We would have no more of this Government's allegation that "the people" voted for commercialisation of the water supply, and electricity, and for the poll tax – all of which are bitterly resented.

It is impossible for a one-day election to be democratic; there must be some form of vote reallocation. The Soviet system *seems to me better than the* transferable vote: it allows for reaction to the first results.

I particularly like the Soviets' "reject" vote. That is real democracy. Some of their electorate must have enjoyed that.

M. Watchorn,
58 Priory Road,
West Bridgford,
Nottingham

FINANCIAL TIMES
Wednesday April 5 1989

Bush to visit Europe for Nato celebration

By Our Foreign Staff

Mr Manfred Wörner, Nato Secretary General, (left) and General Wolfgang Altenburg, chairman of the military committee, during yesterday's 40th anniversary celebrations

PRESIDENT George Bush yesterday announced plans to travel to Europe next month to attend a special meeting of the North Atlantic Treaty Organisation (Nato) celebrating the 40th anniversary of the alliance.

Speaking on the actual anniversary of the treaty, the President also said he would "visit allied leaders in Rome, Bonn and London."

Mr Bush, who was addressing a group of amabassadors from Nato countries in Washington, said the alliance "not only keeps the peace and freedom of the Atlantic world, it has made possible the common effort to build a more constructive relationship with the East. By any standard, Nato has been a resounding success."

In another speech marking the anniversary, Mr Manfred Wörner, the West German Nato Secretary General, said in Brussels that the alliance would increasingly become an instrument of political change, although he stressed that its military rationale would remain, whatever happened in the Soviet Union.

Elaborating new justifications for Nato at a time when many in the West are questioning its future military purpose, the secretary-general said the alliance would also be needed to "serve as a forum to balance and reconcile different European and American interests, be it in the political or economic field."

Short of the break-up of the Soviet Union, Mr Wörner suggested, there never would be a time when Western Europe would not need Nato to tie the US into its security and to counter-balance Soviet dominance in Europe and Asia.

"If you look at current (Soviet) intentions, you will not feel threatened," he conceded. He told a news conference he believed President Mikhail Gorbachev "does not want to wage a war – he is trying to reform his economy and society." But the Soviet military capability was undiminished, and even with Mr Gorbachev's proposed 10 per cent unilateral defence cuts it would still predominate over that of Nato.

Mr Wörner, the first West German to be Secretary General, spelled out a vision of Nato's contributing to "a Europe that is able on the basis of self-determination for all its peoples to overcome its unnatural division and that of Germany."

Leaders of Nato's 16-member countries will hold a belated 40th anniversary summit in Brussels in May when they are expected to define a "comprehensive concept" for arms control and their view of the future political course of East-West relations.

Stressing political change as a theme of Nato's fifth decade, he seemed to have the West as much in mind as the East. In addition to helping reconcile US-European political and economic interests, Nato would be needed "to protect the emergence of a Western European identity and to serve as a platform" for re-apportioning security roles and risks between the US and Western Europe, he predicted.

Touching on the sensitive issue of Western Europe developing further a specifically defence identity, Mr Wörner described the nine-member Western European Union (WEU) as an "apt" vehicle for this, on two conditions: WEU must remain open to accepting other European members of Nato, and open to working with the Nato framework in general.

However, the Nato secretary general explicitly rejected recent suggestions in the US that the West attempt to regulate the pace of change in Eastern Europe.

THE LEX COLUMN

All that glisters is not gold

If Consolidated Gold Fields promised the same ingenuity in running its businesses as in fighting its corner, it might deserve a second chance to prove itself. Given that Minorco already holds close to 30 per cent of its equity, Gold Fields is in the tricky position of having to prove that its shares will not collapse if Minorco walks away, while avoiding being bought on the cheap. So far, it is doing rather a good job. But there is just a slight worry that the management may be getting rather carried away with its own propaganda, and has now set its heart on maintaining independence at all costs.

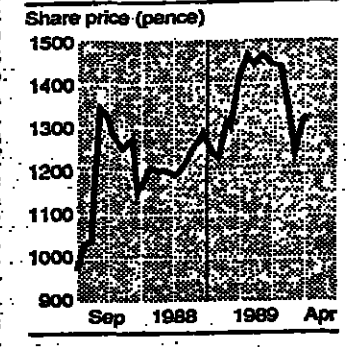
There are no surprises in the proposed 25 per cent dividend increase or the 90p earnings per share forecast. But what transforms an otherwise pedestrian defence document is the thinly disguised 3-year forecast of 20 per cent annual growth in earnings per share. If this is not met, Gold Fields will start breaking up the company, presumably in much the same way as Minorco now plans.

It would have been preferable if Gold Fields had pegged its growth target to dividends rather than earnings, and had issued the special preferred shares now. But it is a measure of the pressure that Gold Fields is now under that it feels it has to make this sort of commitment covering a period which is likely to include some kind of recession.

Whatever Gold Fields may say, this last ploy is little more than a bargaining counter. It has helped underpin the shares near current levels, but there is no overwhelming reason why shareholders should turn down an offer from Minorco of £15 plus, say, for the sake of a possible £6 dividend at some future stage. An exit multiple of 14 times next year's earnings is not generous, but then Gold Fields is not RTZ.

Consolidated Gold Fields

Share price (pence)



Currencies

It has been a good couple of days for the authorities in the currency markets. Never mind the reports that every analyst in the City is bearish about the pound; Lawson has said that interest rates will go up if the market misbehaves, and for once the market has chosen to listen. The message that the Government simply will not let the pound fall was nicely complemented by yesterday's news of a $1.2bn fall in offical reserves in March. Even allowing for all the usual ifs and buts that go with all reserve numbers, it seems the Bank is intervening much more heavily than anyone had bargained for.

Meanwhile the dollar has been responding equally obligingly to the tales ministers have brought home from G7. While the joint statement was bland enough, individual members have been describing the dangers of a high dollar in stronger language, which can only add to the warning contained in Monday's intervention by the Bank of Japan. However these are easy markets in which to frighten speculators. It has been generally decided that Friday's employment numbers will sort out the Fed's dilemma over whether to concentrate on the dollar or on inflation, and until then it not surprising to find the foreign exchanges easily led.

Lonrho

Regardless of what the public now knows or guesses about the House of Fraser report, there is an aspect of the affair which has been around since long before the report surfaced. Lonrho has always alleged that the money used to buy House of Fraser was not the Fayeds' own. The Fayeds, while consistently denying this, have also argued that the financial transactions of private citizens are their own affair. The cheque did not bounce, so what does it matter?

The answer falls into two parts. It seems deducible that at the time HoF was taken over, the UK authorities regarded gearing as relevant to competition policy. The first bid to be referred on grounds of leverage was Elders' for Allied Lyons, just nine months after the Fayeds bought HoF. It seems equally deducible that the Fayeds' assertion that they were using their own money was material to the decision not to refer.

The second point relates to beneficial ownership. If, in such a transaction, the funds used belonged to someone else, it might not be clear at the point of completion who had title to the assets being bought: or, if the funds were a loan attached to assets, who would have title in the event of default. The identity of any such third party could obviously be relevant in competition terms; one imagines the uproar, for instance, if someone else had acted as a front for the KIO in building up its stake in BP.

On the other hand, it seems clear that whatever the DTI report contains, its publication could not in itself affect the ownership of House of Fraser. The only body which could order divestment appears to be the Monopolies Commission; and Lord Young's decision last November not to refer the deal to the MMC was taken in full knowledge of the report's findings. But if wrongdoing is in fact proven, no doubt Lonrho and its advisers will be busily considering any remedies open to them under the law.

CGE/GEC

The various bits of the CGE empire have an irritating habit of fading into one another. But for simplicity's sake, yesterday's deal between GEC and CGEE-Alsthom can be treated separately from the joint venture with Alsthom, the latter's sound-alike sibling, completed only days ago. With the help of over £1bn in sales from its new partner, GEC's automation business will have a chance to achieve critical mass, while the two together should have scope for significant rationalisation. And it is hard to quarrel with terms which involve GEC contributing around a tenth of the sales of the new company in return for very nearly a quarter of its equity.

But if GEC's shareholders find it difficult to keep the various French partners straight in their minds, CGE itself seems out to clarify its imperial image by absorbing both Alsthom and Financière Alcatel. That should ensure that when one or the other clinches a big deal, it is the CGE share price which benefits rather than those of the quoted subsidiaries. With CGE on a scarcely warranted 10 per cent discount to the French market, that cannot be bad for its shareholders.

Soviet scientist free to travel to the West

By Our Foreign, Diplomatic and Political Staff in Havana and London

WHILE Soviet leader Mikhail Gorbachev last night prepared to sign an historic co-operation treaty with Cuba before leaving for an official visit to Britain, his Government made a significant goodwill gesture by announcing that a Soviet scientist would be allowed to travel to the West for urgent medical treatment.

The decision to allow Mr Georgi Samoilovich, 67, who is reported to have lymph cancer, to leave his country temporarily after persistent British representations was described in London as "a considerable achievement in Anglo-Soviet relations."

Mr Samoilovich, who has been offered free medical treatment in London and the US, had not been allowed to leave the Soviet Union earlier because the Government claimed that he had state secrets gleaned when employed by the Defence Ministry.

His is one of several human rights cases due to be raised by Mrs Margaret Thatcher during the Soviet leader's visit.

Meanwhile, the 25-30 Friendship and Economic Co-operation Treaty, to be signed with Cuban President Fidel Castro, is aimed at delineating the strategic relationship between the Soviet Union and Cuba well into the next century.

The treaty is expected further to strengthen economic and trade links between the two countries and to lay the basis for co-ordination on major foreign policy issues.

This will be particularly important in relation to Latin America.

President Gorbachev was also scheduled to address the Cuban National Assembly last night amid considerable speculation that he might use the occasion to make an important announcement on Cuba's estimated $10bn debt to the Soviet Union.

The Soviet leader said at the UN General Assembly last December that the USSR was prepared to write-off or declare a moratorium on the debt that the underdeveloped countries had with the Soviet Union.

Cuban human rights activists calling for Soviet-style reform of the Cuban political and economic system was arrested yesterday soon before the scheduled signing of the treaty.

A Cuban Government spokesman said that the activists were detained "for engaging in illegal activities."

London preparations, Page 14; Editorial comment, Page 20

A MEMBER of the official Soviet delegation visiting Britain in advance of Mr Mikhail Gorbachev's arrival tonight said that a "small" leak of radioactive gas into the atmosphere occurred during an underground nuclear test in Semipalatinsk, Kazakhstan, on February 12, writes James Blitz in London.

Mr Olzhas Sulemeinov, Chairman of the Union of Writers in Kazakhstan, said he had helped found an anti-nuclear pressure group after the accident.

Mr Sulemeinov claims the group, called "Nevada" (after the American desert in which similar nuclear tests are conducted), has forced the Soviet authorities to stop two further tests. He hopes to encourage activists in the Nevada desert to set up a twin group. "I hope they will call it Semipalatinsk," he says.

Diplomats seek UN ceasefire in Namibia

By Anthony Robinson in Windhoek

SENIOR United Nations officials yesterday made their first visit to the battleground in northern Namibia for talks with South African field commanders as diplomats in African and other capitals sought to reach a UN-monitored ceasefire in the territory.

More than 180 people have died in the past four days in fighting across northern Namibia between South African security forces and guerrillas of the South West Africa People's Organisation (Swapo).

Pretoria has signalled its willingness to halt its search and destroy operations along a 180-mile stretch of the Angolan border zone provided that Swapo agrees that its members still in northern Namibia should lay down their arms and be repatriated to UN-monitored camps in Angola.

Mr Sam Nujoma, the Swapo leader, speaking in Harare yesterday again denied that his forces had moved south across the border from Angola in defiance of the internationally agreed peace plan for Namibia. The Swapo leader is understood to be insisting that his units be confined to camps inside Namibia monitored by the UN Transition Assistance Group (Untag).

Mr Martti Ahtisaari, UN special representative, and General Prem Chand, head of the 13-nation Untag force, reviewed the situation on the ground in northern Namibia with South African officials, including Mr Louis Pienaar, Pretoria's Administrator General and senior members of the South African Defence Force.

The diplomatic effort moves into higher gear tomorrow when British Prime Minister Mrs Margaret Thatcher, who was in Namibia when fighting broke out on the first day of the UN-supervised Namibian independence process on April 1, holds talks in London with Soviet President Mikhail Gorbachev.

The Soviet Union currently chairs the UN Security Council, which on Monday acknowledged Swapo's illegal incursion but denied any "hostile intent" on the part of the armed guerrillas.

Mrs Thatcher yesterday blamed the breakdown of the ceasefire squarely on Swapo. She said a report by Mr Javier Pérez de Cuéllar, the UN Secretary General "specifically confirms that there had been a large scale incursion from Angola to Namibia by armed Swapo personnel."

French SE publishes new takeover code

By George Graham in Paris

THE FRENCH stock exchange council has published details of proposed changes to its takeover code, which would force an investor to make an outright bid once more than a third of the capital of a listed company has been acquired.

The new rules are subject to the approval of the Finance Minister, acting on the advice of the Commission des Operations de Bourse (COB), the French stock market regulatory authority, and of the Banque de France.

They are expected, however, to come before Parliament when legislation extending the powers of the COB is discussed later this month.

Some members of parliament have argued that the obligation to bid should be included in the legislation.

The stock exchange council calls for a bid whenever an investor acquires more than one third of the capital or voting rights of a quoted company.

All future takeover bids will be required to aim for at least two thirds of the capital of a company, so if the investor already holds one third he will have to offer for all the outstanding shares. Partial bids are permitted at present.

A takeover bid will require three separate announcements under the new code:

- the announcement of an offer, giving the main outlines of the bid;
- the acceptance of the offer, within five days of its announcement, by the stock exchange council;
- and the opening of the offer, once the COB has given its approval.

Dealings in the shares of the target company would be suspended on the first announcement, and reopened within 48 hours of the stock exchange council's acceptance.

The code will preserve the price support mechanism currently used in the stock market when a controlling stake changes hands.

Some bankers had favoured the suppression of this mechanism, which requires the new owner to buy in the open market at the price paid for the controlling stake, in favour of the outright bid.

New rules are also detailed permitting or obliging an investor to buy out minority shareholders when it controls more than 95 per cent of a company's capital.

Lockheed to shed group

Continued from Page 1

about 17 per cent of Lockheed's stock, while current shareholders would suffer no dilution, the company said. Now, about 80 per cent of Lockheed's shares are owned by investment institutions.

Mr Simmons, a Dallas-based billionaire who has described himself in the past as a "corporate raider" said that he had "no plans or desires to disrupt Lockheed's management", but did not comment on yesterday's actions.

After disclosing his stake in Lockheed, Mr Simmons said that his holding company, Valhi Inc, had intended to buy stretgic stakes in three other comanies he considered undervalued – Chrysler, Paccar, a heavy truck manufacturer, and Phelps Dodge, a copper producer.

Lockheed and Chrysler shares declined on Wall Street yesterday mornign following these annoucements, while Paccar and Phelps Dodge rose sharply.

Lockheed's share price was marked down by $1 5/8 to $48 1/8 yesterday morning. The fall reflected the market's probably justified scepticism that a hostile takeover of Lockheed would ever be attempted, much less that such a bid might succeed.

Lockheed – having been rescued from near-bankruptcy in 1971 by an unprecedented Federal government bailout, and having abandoned its unprofitable civilian aircraft business in the early 1980s – is now virtually an arm of the US Defence Department. Last year, 86 per cent of its $10.6bn sales revenues came from the US government.

CGE, GEC to join units

Continued from Page 1

vehicles controls about 60 per cent of the telecommunications group.

In the case of Alsthom, CGE is proposing seven CGE shares for five Alsthom shares to merge the heavy engineering group into CGE.

The CGEE-Alsthom subsidiary will remain separate but will be 75.5 per cent controlled by CGE and 24.5 per cent held by GEC after the two companies complete their promosed new association.

The share swaps will increase by about a third the total number of CGE shares. But Mr Suard claimed that per share earnings would continue to rise this year despite the heavy dilution. CGE currently has about 75m shares outstanding. The group controls 62.2 per cent of Financière Alcatel and around 66 per cent of Alsthom.

Paris and London stockbrokers expressed some concern last night over the proposed Financière Alcatel share exchange. They argued that it did not appear very favourable to minority shareholders because CGE seemed to value the Alcatel NV holding held by Financière Alcatel at substantially less than what it paid ITT last December for a block of 843,000 Alcatel NV shares.

Reporting higher consolidated profits excluding minority interests of FFr2.2bn last year compared with FFr1.8bn the year before, Mr Suard also announced a 20 per cent increase in CGE's net dividend payout.

Financière Alcatel reported a 15 per cent rise in consolidated net profits.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	S	21	70	Malta	S	24	75	Rhodes	S	21	70
Algiers	C	15	59	Edinburgh	C	5	41	Manchester	Sl	4	39	Rio de J'o	C	32	88
Amsterdam	Sn	2	36	Faro	S	15	59	Manila	F	33	91	Rome	C	19	66
Athens	S	19	66	Florence	R	15	59	Melbourne	S	25	77	Salzburg	F	12	54
Bahrain	S	23	73	Frankfurt	C	5	41	Mexico City	F	20	68	San Francisco	F	9	48
Bangkok	F	36	97	Funchal	C	16	61	Miami	F	24	75	Seoul	S	19	66
Barcelona	C	13	55	Geneva	Dr	9	48	Milan	R	11	52	Singapore		–	–
Beirut		–	–	Gibraltar	R	15	59	Montreal	C	5	41	Stockholm	F	2	36
Belfast	R	6	43	Glasgow	R	5	41	Moscow	C	2	36	Strasbourg	C	7	45
Belgrade	S	26	79	Guernsey	C	4	39	Munich	C	7	45	Sydney	S	25	77
Berlin	C	6	43	Helsinki	S	3	37	Nairobi	F	26	79	Taipei	R	22	72
Biarritz	R	7	45	H Kong	F	25	77	Naples	S	24	75	Tangier	C	15	59
Bombay		–	–	Innsbruck	F	18	64	Nassau	C	26	80	Tel Aviv		–	–
Bordeaux	R	8	46	Inverness	F	7	45	New Delhi	S	29	84	Tenerife	F	20	68
Brussels	Sn	0	32	Islamabad	C	22	72	New York	C	6	43	Tokyo	F	18	64
Budapest	F	17	63	Istanbul	F	14	57	Nice	R	12	54	Toronto	R	5	43
B. Aires	F	26	78	Jakarta	R	32	90	Nicosia	S	20	68	Tunis	S	28	82
Cairo	S	27	81	Jersey	C	5	41	Oporto	F	12	54	Valencia	F	14	57
Cape Town	S	22	72	Jo'burg	S	24	75	Oslo	F	5	41	Venice	C	16	61
Caracas	F	27	81	Lima	F	26	79	Paris	C	2	36	Vienna	S	16	61
Casablanca	C	15	59	Lisbon	R	12	54	Peking	S	19	66	Warsaw	Sn	3	37
Chicago	Fg	6	43	London	Sn	6	43	Prague	C	3	37	Washington	C	16	61
Cologne	C	5	41	Los Angeles	F	16	61	Reykjavik	R	6	43	Zurich	C	7	45
Copenhagen	C	3	37	Luxembourg	C	2	36								
Corfu	S	26	79	Madrid	C	8	46								
Dallas	C	17	63	Majorca	C	15	59								
Dublin	Sl	3	37	Malaga	F	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Alaska pays a high price for oil

Continued from Page 1

faces a legal nightmare.

The company finished pumping crude oil from the crippled tanker yesterday, 11 days after the Good Friday wreck that caused the worst oil spill in US history. Exxon plans to refloat the tanker today off the Bligh reef where it rests.

The company has been bitterly criticised for the chaotic days of the clean-up by Alaska state authorities under Mr Steve Cowper, the governor, who are themselves under pressure from a furious Alaskan public. Oil company officials say they must limit the damage in a state which has the largest unexploited oil reserves in the US.

One of Valdez's leading citizens said: "They've got to put on a show while the media is still here. Then, when the tanker is floated off and the reporters leave, they'll slow down." But Mr Frank Iarossi, president of Exxon's shipping division, said: "We intend to leave Prince William Sound as close to the way it was before the tragedy. We are going to be polishing rocks."

By yesterday, there were signs that the clean-up involving Exxon, contractors, the Cordova fleet and a babel of government agencies, was becoming better organised.

As the main slick drifts south and west, Exxon is throwing its major effort behind attempts to protect a valuable hatchery full of hundreds of salmon fry at Sawmill Bay near the mouth of the sound. Fishing boats had laid rings of containment booms across the entrance to the bay

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday April 5 1989

INSIDE

Buying a ticket for the Orient express

It has successfully digested Celanese, a $2.85bn purchase in the US. Now Hoechst of West Germany, the world's biggest chemicals group, is casting covetous eyes at south-east Asia as it plans the next expansion of its fibre interests. It has not decided whether this growth will be by acquisition, joint venture or start-up. But an announcement is likely within a few months. Page 24

WH Smith seeks rest of Molinare

WH Smith, the UK retail and distribution group, is considering making an offer for the 49 per cent it does not already own in Molinare Visions, the film and video production company. Ray Bashford reports. Page 30

Law and order in US markets

Several regulatory proposals recently published by the US Securities and Exchange Commission should, if adopted, ease dealings between non—US securities firms and US investors. At the same time, however, recently enacted insider trading legislation could expose foreign companies whose securities are traded in the US, as well as foreign securities firms dealing in securities traded in the US, to significantly greater liability. Page 29

Out of the frying pan ...

Tensions have been running high in the world edible oils market in recent years, as the pressures of stiff competition have become increasingly overlaid with political problems. So when trade representatives met in Portugal last week the distortion of markets by production subsidies and trade discrimination was the subject of some fairly heated exchanges, as David Blackwell reports. Page 34

Viennese waltz to an investment quick step

The sun shone in the Tyrol and enthusiasm ran rampant in the little Austrian bourse last month. What developed was a classic imbalance of demand and supply, with too many investors chasing too little stock. And while the big battalions of the stock market world struggled to turn in unremarkable performances, Austria jumped by a spectacular 13.8 per cent, writes Hilary de Boerr. Page 46

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Henkel	511	+	5
Lufthansa	171	+	6.5
Man	273.5	+	3.5
Falls			
Mannesmann	236.5	−	4.5
Thyssen	237.2	−	3.5
Veba	291	−	3.5

NEW YORK ($)

Rises			
PACCAR	48¾	+	⅜
Phelps Dodge	56	+	2⅛
Falls			
Lockheed	47¾	−	2
SunGard Data	13¾	−	½
Tandem Comp.	14¾	−	2⅜
Whirlpool	27⅞	−	⅝

PARIS (FFr)

Rises			
Eaux	82	+	8.4
Moulinex	135.5	+	13.4
Falls			
Locafrance	445	−	8.8
Metaleurop	171	−	3.9
Nord-Est	150	−	4.8
Sefimeg	421	−	18

TOKYO (Yen)

Rises			
Iwatani	1130	+	120
Shoko	760	+	69
Taito	1380	+	100
Falls			
Shiseido	2640	−	230
Tokyo Seir	1140	−	100
Tsumura	1800	−	130

LONDON (Pence)

Rises			
African Lakes	96	+	18
Cons Gold Flds	1348	+	25
Dunhill Hldgs.	252	+	6
Gardiner Grp.	55	+	4
Gen. Accident	986	+	16
Laporte Inds.	449	+	15
Lex Service	378	+	11
Lucas Inds.	618	+	13
Magnolia Grp.	180	+	11
Pearson	722	+	6
RMC	683	+	10
Randsworth Tst	272	+	10
Redland	538	+	10
Sun Life	960	+	35
Tarmac	318	+	13
Trafalgar Hse.	374	+	10
Unigate	358	+	9½
Whitbread A	350	+	8
Wolstenholme R	458	+	16
Falls			
Banner Homes	71	−	10
Guinness	429	−	6½
Merlin Int.	117½	−	24½
Sun Alliance	1158	−	11
Watts Blake	365	−	7

Gold Fields fights bid with 'performance pledge'

By Kenneth Gooding, Mining Correspondent, in London

CONSOLIDATED Gold Fields, the UK diversified mining group, yesterday produced what it called "a unique performance pledge" as it fired the last financial broadside in its battle to fight off the £3.2bn ($5.4bn) hostile bid by Minorco, the South African-controlled investment company.

In order to illustrate the longer-term potential of the group, Gold Fields – provided it is not taken over – will issue special preferred shares which guarantee that cumulative earnings per share will total 400p (before sales of operations) over the next three years, implying an average annual compound growth of over 20 per cent.

If that target is not met the directors would "take whatever steps were necessary" to pay a special cash dividend of £6 gross per share, costing a total of £1.3bn. At the same time all future executive incentive arrangements for Gold Fields' central management would be tied to the achievement of the earnings per share target.

Mr Rudolph Agnew, Gold Fields' chairman, claimed that the scheme was being used for the first time in UK corporate history – and possibly in the world. "It is a tough proposal that will make high-quality assets and competent, professional managers sweat even more for the benefit of shareholders," he suggested.

Predictably, the scheme was dismissed by Minorco as "an elaborately constructed device" and "no more than an illusion."

Mr Roger Philimore, Minorco's commercial director, said: "It represents a desperate plea to shareholders to prolong the status quo for a further three years at shareholders' risk.

"This proposal, which does not amount to any sort of guarantee, would not have been aired if the Gold Fields' board was confident that shareholders would consider its earnings target as credible," he added.

Analysts suggested that the performance pledge, although an imaginative idea with an attainable target, added nothing to the value of the Gold Fields' shares.

Neither were they surprised by the forecasts produced by Gold Fields yesterday. The company predicted its operating profit, before sales of operations, for 1988-89 would rise by at least 27 per cent to not less than £335m and the dividend would be lifted by 25 per cent to 40p net a share.

Gold Fields' earnings per share before sales of operations were forecast to be not less than 90p, up 42 per cent.

Sir Michael Edwardes, Minorco's chairman, said he was "disappointed but not surprised" to find that Gold Fields had offered "little financial information of relevance to shareholders and certainly nothing to cause shareholders to re-rate their investment in the company."

Analysts said that the market reaction yesterday was revealing. The Gold Fields price eased up by 25p to £13.48, only slightly below the value of the Minorco terms. But turnover was very low, with only about 580,000 shares changing hands.

"There are no sellers. People are hanging on because the market feels a higher offer is on the way," said Mr Huw Williams, an analyst with Kleinwort Benson Securities.

In line with other analysts, he suggested that any new offer would have to be above £15 a share and probably at least £15.50 to make any impact.

Minorco will hold a board meeting in Luxembourg on Friday to consider its position.

The company yesterday submitted further written evidence to the New York judge who has imposed an injunction which effectively stops Minorco buying any more Gold Fields shares and adding to its existing near-30 per cent stake. But there is no guarantee that the judge will deliver his verdict before the final closing date of the offer on April 25.
Lex, Page 22

A moving target that would be hard to hit

Anatole Kaletsky looks at Lockheed's restructuring

"For years Lockheed stock has been Wall Street's hemline story - up and down for no particular reason, and it looks like it will continue to provide grist for the rumour mills for some time to come."

This was how Mr Wolfgang Demisch, aerospace analyst at UBS Securities, characterised the restructuring announced yesterday by the sixth-largest US defence contractor.

Lockheed's new plans were announced less than 24 hours after the disclosure that Mr Harold Simmons, one of America's leading corporate raiders, had acquired 5.6 per cent of its stock. But, for once, Wall Street seemed to accept the company's story: that its proposals to sell businesses, reorganise divisions and start an employee stock ownership programme were reasonable strategic decisions, and not just panic reactions to a possible takeover threat.

Indeed, Wall Street, in its typically paradoxical fashion, gave Lockheed's management a backhanded compliment by marking down the company's share price by $2 to $47¾ by the close yesterday. The fall in the shares reflected the market's probably justified scepticism that a hostile takeover of Lockheed would ever be attempted, much less that such a bid might succeed.

The fact is that Lockheed – having been rescued from near-bankruptcy in 1971 by an unprecedented Federal government bail-out, and having abandoned its unprofitable civilian aircraft business in the early 1980s – is now virtually an arm of the US Defence Department. Last year, 86 per cent of its $10.6bn sales revenues came from the US Government, with another 6 per cent from foreign governments.

Even the 8 per cent of revenues notched up last year from the private sector will probably decline in future, after the sale of the Information Systems Division, which was the most important single proposal Lockheed announced yesterday.

What these statistics indicate is that the Pentagon, as the company's dominant customer, would be in a position to insist on a decisive say in any change of corporate control, even if no legal mechanisms existed to block a possible takeover in the courts. As the Pentagon recently told a Congressional hearing: "Lockheed is a critical company".

Even if contracts had already been signed, apparently assuring a significant part of its future business, the Government "could block the transfer of black (or classified) programmes to another owner" of which it did not approve.

Given that "black" or secret *programmes, which cannot* be described by the company or even mentioned in the Pentagon's own budgets, may account for as much as 40 per cent of Lockheed's total sales, that kind of threat alone would probably be sufficient to deter any conventional hostile bid for Lockheed, though not perhaps a greenmail-oriented corporate raid.

Why then does Wall Street continue to thrive on rumours of a possible Lockheed takeover? And why did Mr Simmons, a man not known either for his patience or for his interest in small minority investments, spend $150m acquiring his strategic stake?

The most obvious reason is the hope that Lockheed might be taken over for anything up to $70 a share in an agreed merger with another US high-technology firm. Boeing and Ford head the list of possible partners.

However, it may simply be that Lockheed has been under-valued by the market.

Even after the 25 per cent decline in per-share earnings which Mr Daniel Tellep, the company's chairman, forecast yesterday, the company's price-earnings ratio would come to less than nine. This is a significant discount on the 10-plus p/e of other defence aerospace firms such as Northrop and Grumman, to say nothing of the p/e of 12 enjoyed by Boeing, the glamour stock of the aerospace industry because of its reliance on civilian, rather than military, work.

Lockheed's under-performance can be explained in part by widely-publicised concerns about its future workload, with the end of the C-5B military air transport programme this year. The C-5B, which was the single biggest military procurement in US history, contributed $1.9bn to Lockheed's *sales in 1987 and $1bn in 1988.* The orders ended this year with a mere dribble of $100m.

Lockheed's main hopes for replacing the C-5B orders have seemingly rested with the Advanced Tactical Fighter (ATF), a high-technology aircraft with projected sales of $45bn – or even $85bn – if the US Navy as well as the Air Force decided to make it the mainstay of its fighter fleet.

However, the risks in the ATF are legion. Not only is Lockheed's design still theoretically in competition with another version being developed by a consortium led by McDonnell Douglas, but there is great uncertainty about the future of the whole programme in the current atmosphere of budgetary stringency on Capitol Hill. These doubts have added to Lockheed's lowly valuation in the stock market.

What Mr Simmons and other boosters of the stock may have have decided, however, is that the ATF is not nearly as important to Lockheed's future as is widely believed.

According to Mr Demisch of UBS, 1989 is likely to represent the low point in the company's earnings cycle, regardless of the ATF. Future profits are solidly supported, he believes, by the rapidly expanding Trident Two *submarine-launched nuclear missile* programme, in which Lockheed is the prime contractor.

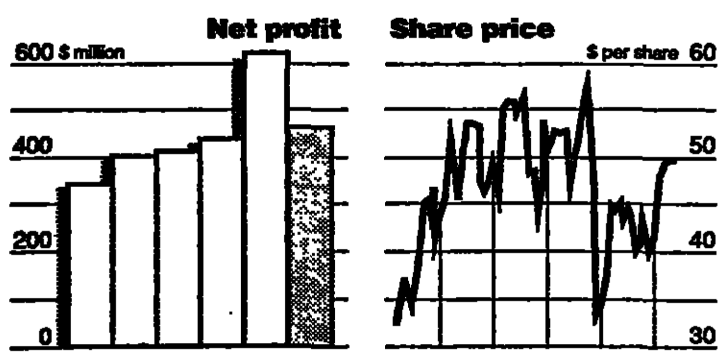
Indeed, Lockheed, is now much more of a missile and space company than an aircraft maker. In 1988, space accounted for 36 per cent of revenues and missiles for 16 per cent. In future these shares seem likely to grow rapidly.

Meanwhile, in the aircraft business, Lockheed hopes to cash in on the boom in civilian orders and hedge its exposure to the military spending cycle, by becoming a major sub-contractor to Boeing and McDonnell Douglas.

In in the shorter-term, shareholders have other benefits to look forward to in the form of share repurchases funded by the sale of peripheral businesses, surplus land and other assets.

Of course, nobody can predict whether all these goodies will actually cause the stockmarket to revalue Lockheed's fundamental businesses. But, sheltered as they are under the Pentagon's umbrellas, Lockheed's management may at least have time on their side.

Lockheed's Advanced Technical Fighter (ATF) expected to replace the F-15 by mid 1990s



Pru gives top job to fund manager

By Nick Bunker in London

MR MICHAEL NEWMARCH, London's most powerful fund manager, is to be the next chief executive of Prudential Corporation, a move which breaks with recent tradition at the group by putting an investment expert in the top post.

The Prudential, the UK's largest life insurer and investment institution, said 50-year-old Mr Newmarch, currently head of Prudential Portfolio Managers (PPM), would take over from the present group chief executive, Mr Brian Corby, next March.

The announcement yesterday killed off speculation that was starting to mount in insurance circles about the succession to Mr Corby, an actuary who had been chief executive since 1982 and will be 60 next month.

The characteristically brief announcement from Prudential also named Mr Corby as the successor to Lord Hunt of Tanworth as group chairman. Lord Hunt is due to retire in May 1990.

Though Mr Corby was keen yesterday to prevent commentators reading anything into the choice of Mr Newmarch, the news was taken by some observers as a sign of the way Prudential has been expanding beyond its core business into fields such as estate agency and unit trusts. "The logical thing is to see it as underlining the way the Pru has diversified in financial services," said Mr Roger Harvey, head of insurance research with Kleinwort Benson Securities.

Mr Newmarch, a staunch defender of shareholders' interests in issues such as the intermittent controversy over pre-emption rights, has spent his entire career in Prudential's investment side.

Speculation deepens over the future course of Blue Arrow

By Clay Harris in London

SPECULATION over the future course of Blue Arrow deepened yesterday when Harris Associates, a Chicago-based investment group, disclosed a 6.18 per cent stake in the UK-based employment agency hit management upheavals.

The holding is believed to be friendly to Mr Mitchell Fromstein, Blue Arrow's chief executive, since a January boardroom coup relieved Mr Tony Berry, chairman, of executive duties. Harris formerly had close ties with Manpower, Mr Fromstein's Milwaukee-based employment agency for which Blue Arrow paid $1.3bn in 1987.

There has been consistent transatlantic buying of Blue Arrow shares recently and US shareholders are believed to own about 30 per cent.

It has been suggested that this could be a prelude to Mr Fromstein *eventually shifting the company's* base to the US, and renaming it Manpower.

The disclosure of Harris's stake came one day after Blue Arrow's annual meeting at which directors came were questioned by shareholders led by Mr Michael Ashcroft, chairman of ADT, the international services group.

Mr Ashcroft's questions elicited the disclosure of a £25m loan by Blue Arrow to an unnamed party which the company was now trying to recover.

Lazard Brothers, Blue Arrow's financial adviser, yesterday declined to expand on the company's brief statement.

- Was it extended under the Berry regime or since Mr Fromstein took over, and did the circumstances of its disclosure give any clues to continuing strains within the board?
- If there *is a doubt about the* recoverability of the loan, why did Mr Fromstein wait to be questioned by Mr Ashcroft before disclosing it to shareholders?
- Moreover, what factor changed to raise doubts about the loan in the four weeks since the company's audit committee, of which Mr Berry is not a member, approved the 1987-88 accounts without qualification or noting the existence of the £25m.?

Mr Ashcroft and ADT together own about 5 per cent of Blue Arrow. An old friend of Mr Berry, his questioning at Monday's meeting is believed to have been intended primarily to flush out whether the board had received any approaches about a possible bid at 110p to 120p, compared with yesterday's unchanged closing price of 91½p.

Cardo to buy Skåne in agreed bid

By Robert Taylor in Stockholm

CARDO, the Swedish industrial holding company affiliated to the Volvo group, is to buy Skåne-Gripen, the Swedish industrial conglomerate, in an agreed takeover bid worth SKr2.5bn ($390m).

Cardo said Skåne had been advised in advance of the bid and had agreed to sell those parts of the company which Cardo did *not want. This will leave Cardo* to acquire about 65 per cent of Skåne in terms of present turnover.

Among the subsidiaries that Cardo is buying from Skåne are Poggenpohl, the West German company which is one of the world's leading producers of kitchen and bathroom equipment; Kahrs, which makes floors and walls; and Ravema and Michaelson, agents and distributors for machine tools.

"We have now achieved what we have been striving for over several years," said Mr Lennart Nilsson, Cardo's chief executive yesterday.

As a result of the deal Cardo's annual turnover will increase from SKr6bn to about SKr10bn. Activities not being acquired by Cardo include musical instruments, lighting and aerial *photography.*

Trading in the companies was stopped last Friday but Mr Nilsson said the reason for the protracted negotiations was because of the technical details that had to be worked out.

Cardo is an industrial and financial holding company, formed in 1987. Last year it had annual turnover of SKr6bn, of which 87 per cent was outside Sweden.

Its present activities include Crawford Doors, a European maker of overhead doors for industrial use; Sab Nife, which produces brake equipment for locomotives and nickel-cadmium batteries for industrial use; Scan-Pump, which manufactures pumps for the paper and pulp industries; and Gambro, which makes kidney dialysis and *intensive-care equipment.*

Skåne was founded 10 years ago by Kockum's shipyard shareholders, who received SKr20m and some real estate in Malmo when the Swedish Government acquired the yard.

The agreement will be put to Skåne-Gripen's shareholders for their approval at a special meeting on April 25. Cardo already owned 7 per cent of the shares and controlled 15 per cent of the votes in Skåne-Gripen before the takeover.

Lower gold price hits GFSA mines

By Jim Jones in Johannesburg

LOWER rand-denominated gold prices sharply reduced revenues and profits at the poorer mines managed by Gold Fields of South Africa (GFSA), the local affiliate of the UK's Consolidated Gold Fields.

As capital expenditures exceeded taxed profits, four of the group's mines generated negative cash flows. But in Johannesburg yesterday Mr Alan Wright, a director of GFSA, said this was not a matter for concern as the group's policy was to retain profits to finance capital programmes during lean periods.

Unit working costs rose by 2.1 per cent to R126.58 ($49.42) a tonne milled but are expected to be pushed higher this quarter and next as midyear wage increases are awarded. White miners have already placed their claims with Chamber of Mines negotiators and the all-black National Union of Mineworkers (NUM) will start negotiations next month.

The NUM has professed itself unimpressed by industry statements that large percentage increases cannot be paid while gold prices remain weak.

Venterspost, which has embarked on an expansion programme beyond its eastern boundary, had been expected to announce a rights issue to raise finance. However, the issue has been deferred until stock market conditions are more appropriate, Mr Wright said.

He added that the mine had sufficient cash to finance the expansion until July or August and that alternative means of raising capital were being examined.

Libanon, which is next door to Venterspost, was affected by a small gold recovery grade drop to 4.1 grams per tonne (g/t). Vlakfontein, which reprocesses old mine residue dumps and is establishing a small underground mine, operated at a loss during the quarter.

Kloof, the highest grade producer in the group, suffered a grade decline to 11.6 g/t which Mr Wright said was an unavoidable consequence of long-wall mining methods.

The neighbouring Driefontein Consolidated, which is the group's largest mine, suffered a grade decline at its east section.

GFSA has calculated tax according to a new formula announced in the March budget which led to an appreciable tax saving at Drie Cons.

The gold recovery grade was maintained at Deelkraal though Mr Wright has again warned it is likely to slip from its present 6.5 g/t in the near future and that an average of 6 g/t is more realistically to be expected.

GFSA GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Mar 89	Dec 88	Mar 89	Dec 88	Mar 89	Dec 88
Deelkraal	2,633	2,633	40.8	44.8	26.0	24.1
Doornfontein	1,950	1,928	4.7	7.3	(3.2)	2.7
Drie Cons	14,895	15,047	152.9	149.1	50.3	43.3
Kloof	6,289	7,242	83.7	129.3	21.8	22.6
Libanon	1,784	1,827	6.1	11.2	(0.7)	10.3
Venterspost	1,560	1,451	2.7	4.9	(7.4)	(18.2)
Vlakfontein	287	287	(0.3)	0.7	(5.1)	3.2

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

KLM holds parcel talks with TNT

By Our Financial Staff

KLM Royal Dutch Airlines, the Dutch flag carrier, said yesterday it is in talks over the future of its XP Systems VOF express parcel delivery subsidiary with TNT, the Australian transport group.

KLM, 39.4 per cent owned by the state, declined to provide details. But it noted that there were a range of possibilities. These included partial or complete sale of the wholly-owned XP subsidiary, as well as turning it into a joint venture or spinning it off as an independent operator. KLM said the situation would become clearer in about a week.

TNT has been expanding aggressively its express parcel delivery operations over the past couple of years.

Such a strategy is in line with the evolution in Europe of the new breed of transport groups, which are developing the new so-called "logistics services" industry, in which big transport companies such as Nedlloyd of the Netherlands have been building integrated land, sea and air transport capabilities.

Hoechst to expand fibre side

By Alice Rawsthorn in Frankfurt

HOECHST, the West German company which is the world's biggest chemicals group, plans to expand its fibre interests into south-east Asia.

Two years ago, Hoechst moved into the US fibres market by buying Celanese for $2.85bn. The integration of Celanese is now completed. Dr *Günter Metz, deputy chairman* of Hoechst and head of its fibre division, said yesterday that the group is now considering ways of diversifying within fibres in south-east Asia.

Hoechst is already involved in a joint venture to build a $50m cigarette tow plant in China, its first fibre production facility in south-east Asia. The plant should come on stream by the beginning of next year.

The group now plans to expand further within south-east Asia within the technical fibre field. Dr Metz said it had not yet decided whether to do so by acquisition, joint venture or *start-up*.

Hoechst is one of the world's biggest fibre producers with a dominant position in the international polyester market. It is also a leading player in acrylic and viscose fibres.

Fibres is the second biggest area of activity within Hoechst group. The fibre division made sales of DM6.3bn ($3.35bn) in 1988 – out of overall sales of DM41bn – an increase of 9 per cent over the previous year.

Günter Metz: 'adaptation and adjustment' in the European acrylic market

The level of profit from *fibres was static, however*, chiefly because of a rapid rise in raw material prices which Hoechst was unable to pass on to its customers.

Dr Metz said that fibre sales had continued to increase so far in 1989; rising by an estimated 20 per cent in the first quarter of the year.

In the last two years Hoechst has integrated its newly acquired US fibre operation with its established European business. This process has involved the disposal of two of its US fibre plants and the integration of product development and research.

The group is now involved in *an ambitious capital expenditure* programme for fibre. In the last four years it has spent DM570m - or 6 per cent of sales - on its western European fibre plant.

So far the emphasis of this expenditure has been on improving the efficiency of existing plant. In the future Hoechst intends to expand more aggressively, particularly in the more dynamic areas of technical fibres.

It will invest DM50m over the next four years in the development of polymer optical fibres.

Conversely the group may *have to reduce its presence in* the acrylic market, which has recently been depressed by a cyclical downturn in demand and increased competition from new plant in China. Dr Metz said there would be some "adaptation and adjustment" in the overall European acrylic market.

Accor lifts operating net by 40% to FFr470m

By George Graham
in Paris

ACCOR, the leading French hotel and restaurant group, boosted net operating profits last year by 40 per cent to FFr469.5m ($73.9m), as sales climbed 12 per cent to FFr16.39bn.

With a large jump in exceptional profits, from a series of asset sales, the group's total net earnings rose by 71 per cent to FFr570.8m.

Net operating profits in 1989 are expected to reach a minimum of FFr575m, with strong activity in the first quarter confirming this trend.

The group, which opened 97 new hotels last year taking its total portfolio to 773 hotels, greatly expanded its luncheon voucher business, in which it is world leader with its Ticket Restaurant business.

Profits on vouchers, up by nearly 15 per cent last year, come mainly from the treasury earnings, since the vouchers are prepaid.

The number of users of Accor's vouchers increased 23.5 per cent to 616,000, while *the number of vouchers issued* rose by a third to 877m in 12 countries.

Accor is headed by Mr Gérard Pélisson and Mr Paul Dubrule, France's most famous business double act.

The group operates hotel chains such as Novotel, Sofitel, Ibis and Formule 1, in addition to restaurant chains such as l'Arche and Churrasco, and collective catering services.

● The French Bourse said Mr Carlo De Benedetti's Cerus holding company has raised its share swap offer in the agreed merger with Dumenil-Leble, *the French investment* bank, Reuter reports from Paris.

The bourse said the offer now stood at 27 Cerus shares for every 10 shares in Dumenil, with no cash element.

The original offer consisted of five Cerus shares plus 40 francs for every two Dumenil shares. Dumenil's small shareholders, who control 53 per cent of the bank, had rejected the earlier deal.

Saipem decides to omit dividend on its common stock

By Our Financial Staff

SAIPEM, the oil industry *services unit of Italy-s state* energy concern Ente Nazionale Idrocarburi (ENI), lifted consolidated net profit by 5 per cent to L8.3bn ($6m) in 1988 from *L7.9bn a year earlier*.

Group sales rose to L1,412bn from L1,243bn in 1987. Mr Gianni Dell-Orto, chairman, said the board had decided to *omit payment of a common* stock dividend so that most of the profits can be reinvested in the company.

An unchanged dividend of *L80 a share will be paid only to* holders of savings shares. Last year, owners of common stock received a dividend of L50 a share.

Mr Dell-Orto said that 1988 was marked *by* low crude oil prices and persistent uncertainty in the oil market in general, which, in turn, influenced negatively the level of capital *investments by oil companies*. This scenario was not likely to change much in 1989.

To protect itself against the highly cyclical nature of the oil industry, Saipem plans to diversify into other sectors, particularly in the public infra*structure* construction business, added Mr Dell-Orto.

Saipem was exploring different roads to diversification, including collaboration pacts, *acquisitions and joint* ventures, also with foreign partners.

The company was close to acquiring 55 per cent of Man*telli, a construction firm*, Mr Dell'Orto said. An accord should be concluded in a few weeks. Mantelli, part of state industrial group Istituto per la *Ricostruzione Industriale (IRI)*, has annual turnover of around L80bn.

● Rizzoli-Corriere Della Sera (RCS), Italy's second largest publishing group, yesterday reported that its net profit rose 25 per cent to L52.1bn in 1988, from L41.7bn a year earlier.

Consolidated revenue rose 12 per cent to *L1,480bn in 1988* from a year earlier, while cash flow improved 19 per cent to L121.9bn. The *Milan-based* publishing group is effectively controlled by the Agnelli family through the holding company Gemina.

Baltica steps up payout as net earnings surge

By Hilary Barnes in Copenhagen

BALTICA, the insurance and financial services group which recently acquired a 9 per cent equity holding in Hambros Bank of the UK, reported an increase in net profits last year to DKr1.47bn ($200.5m) from DKr507m.

However, *DKr495m* of the increase was explained by changed accounting principles. An increase in the dividend from 7 to 8 per cent was proposed.

The *operating* profits of the insurance business increased *from DKr334m to DKr518m* and accounted for the bulk of group operating profits, which were up from DKr340m to DKr559m.

Group capital gains increased from DKr167m to DKr416m, with unchanged accounting principles, and to DKr911m with the new principles, which affect the valuation of the securities portfolio, increasing it by DKr300m, and involve the deletion of the item *for deferred tax*, DKr195m.

Operating profits are expected to improve further in 1989, when the group will continue to assign higher priority to profitability than expansion, said the interim report. But capital gains in 1989 are likely to be lower than last year's.

Group equity capital increased from DKr4.26bn to DKr6.17bn last year, and net *profits represented a return on* equity of 12 per cent, compared with 8 per cent in 1987. Earnings per share were up from DKr71 to DKr166.

Gross premium income was down slightly from DKr5.94bn to DKr5.26bn, the result of the divestment of the reassurance business.

J Lauritzen returns to profitability with $43.5m

By Hilary Barnes

DENMARK'S J. Lauritzen shipping, shipbuilding and manufacturing group, bounced back from a DKr64m operating loss in 1987 to make profits of *DKr319m ($43.5m) last year.*

Net earnings, including extraordinary income, increased from DKr28m to DKr609m, with shipping making DKr795m and the shipyards losing DKr330m. Group turnover was down from DKr9.27bn to DKr9.17bn.

Equity capital, excluding minority shares, increased from DKr863m to DKr1.47bn on assets which increased from DKr8.83bn to DKr9.55bn. The parent company, Lauritzen Holding, proposed passing the dividend again this year.

Operating profits in 1989 are expected to be at least as much as in 1988, but net earnings will be lower, as extraordinary income will fall.

The J. Lauritzen Shipping Co operates one of the world's two biggest fleets of refrigerated cargo vessels, as well as bulk carriers and offshore drilling rigs. The results of the shipping operations this year are expected to be on a level with last year or better.

IN Holding in JP Morgan link

By Alan Friedman in Milan

IN HOLDING, the Benetton family's financial services and investment banking arm, said it had hired J.P. Morgan Investment Management as advisory agent for one of its international mutual funds.

Morgan is to provide IN Holding with data on international equity markets, currencies and sector analysis for IN Capital Equity, the mutual fund that is aiming to channel Italian investment to foreign stock markets. The equity fund deal follows a similar accord reached between IN Holding and County NatWest to help launch a bond fund.

The Benetton *family* financial arm, which is separate from the better known clothing company, now has around 500 selling agents in Italy.


C&C Computers and Communications
Which One Is NEC?
Pagers that do more than just beep. Ours can give you a message.
It's a boy
Colour TVs and VCRs that reach new heights — high fidelity, high resolution and high quality. Now that's a higher form of home entertainment.
The ideal host — host computer, that is. NEC mainframe computers are responding to the needs of all types of offices and all types of requirements.
Can you top this? NEC's laptop computer. Just because it's light doesn't mean the NEC Multispeed is a lightweight. This is one heavy performer.
Hairthin fibres that are thick with information — NEC's fibre optic technology makes communication of all kinds — voice, data, text, images — as clear as a bell.
Chips that are stacked in your favour. NEC makes the semiconductors and other electronics found in our products. So you can be sure of NEC quality through and through.
The perfect printer for today's office? NEC makes it. It's called the Pinwriter P2200 and it produces letter-perfect letters at a speed of 56 cps.
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Get in sync with our Multisync Monitor — it automatically scans all frequencies between 15.5 KHz and 35 KHz, which means it is compatible with all colour graphics boards that are IBM®* compatible.
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NEC
For further information, please contact: NEC (UK) Ltd., NEC House, 1 Victoria Road, London W3 6UL, or phone 01-200 0200.

REPUBLIC OF ICELAND £2,000,000
8½ PER CENT STERLING LOAN 1983/92

HAMBROS BANK LIMITED hereby give notice that in accordance with the terms and conditions of the above loan, the redemption for 1st June 1989 has been effected by the drawing of the undermentioned bonds amounting to £100,000 (nominal). The outstanding balance after the 1st June 1989 redemption will be £300,000 (nominal).

The Drawn Bonds may be presented to Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA, or to the other Paying Agent named on the bonds.

Bonds surrendered should have attached all unmatured coupons appertaining thereto. Coupon due 1st June 1989 should be detached and collected in the usual manner.

For payment in London, Bonds will be received on any business day and must be left three clear business days for examination.

Bonds of £1,000

11073	11074	11077	11079	11085	11105	11106	11118	11119	11121	11122	11133	11136	11137	11147
11173	11174	11175	11176	11185	11273	11278	11324	11352	11371					

Bonds of £500

10031	10064	10066	10171	10135	10136	10140	10160	10161	10162	10164	10175	10179	10180	10187
10188	10198	10199	10202	10203	10207	10240	10241	10242	10244	10261	10262	10264	10265	10327
10330	10331	10333	10350	10351	10360	10653	10667	10672	10730	10732	10736	10737	10740	10741
10750	10751	10752	10770	10771										

Bonds of £100

30	33	39	41	51	54	62	63	64	74	79	80	87	88	90
111	112	116	145	151	164	172	173	175	176	179	254	260	263	264
268	269	273	280	281	286	287	298	305	310	311	316	321	420	458
459	518	519	537	538	549	587	599	613	614	615	640	660	669	713
998	1004	1006	1226	1239	1256	1260	1261	1276	1277	1303	1308	1337	1362	1364
1365	1367	1478	1486	1487	1490	1493	1497	1618	1630	1631	1632	1633	1634	1639
1689	1695	1732	1736	1738	1743	1752	1763	1772	1782	1783	1785	1792	1822	1834
1833	1840	1841	1846	1847	1900	1908	1918	1924	1935	1937	1941	1952	1964	1973
1982	1983	1984	1989	1993	1997	1998	2091	2094	2095	2099	2142	2149	2155	2167
2172	2174	2176	2181	2193	2195	2196	2201	2202	2222	2233	2237	2250	2263	2265
2268	2274	2276	2277	2360	3127	3130	3135	3143	3148	3163	3165	3166	3171	3175
3176	3179	3181	3183	3184	3185	3191	3192	3196	3206	3212	3214	3215	3216	3217
3219	3224	3225	3232	3234	3235	3236	3247	3248	3268	3280	3322	3326	3331	3334
3351	3360	3445	3452	3456	3459	3475	3476	3478	3479	3534	3539	3541	3543	3547
3548	3549	3558	3565	3567	3568	3570	3572	3592	3601	3630	3831	3832	3852	3859
3663	3877	3884	3895	3901	3909	3922	3931	3939	3940	3943	3946	3952	3959	3964
3981	3985	3986	4004	4009	4013	4014	4019	4052	4056	4065	4067	4069	4073	4075
4083	4090	4092	4094	4097	4104	4109	4132	4137	4138	4141	4151	4155	4306	4307
4514	4530	4535	4540	4543	4548	4550	4554	4563	4564	4567	4573	4591	4595	4597
4600	4602	4615	4642	4649	4650	4651	4658	4664	4673	4674	4692	4696	4697	4698
4699	4704	4707	4714	4715	4716	4736	4746	4747	4750	4753	4758	4779	4792	4793
4794	4795	4804	4829	4830	4836	4848	4849	4861	4873	4887	4891	4897	4899	4907
4913	4916	4917	4965	4966	4969	4970	4972	4986	4988	5468	5471	5487	5499	5506
5512	5519	5523	5538	5539	5547	5597	5615	5617	5622	5623	5624	5627	5631	5634
5645	5673	5678	5681	5686	5689	5690	5691	5700	5713	5714	5716	5735	5736	5739
5747	5765	5769	5774	5780	5785	5800	5801	5802	5816	5817	5829	5833	5834	5842
5845	5847	5848	5859	5865	5867	5868	5872	5880	5891	5904	5908	5910	5942	5972
5981	5989	5990	5995	6001	6003	6005	6007	6009	6011	6012	6015	6016	6017	6019
6020	6033	6044	6046	6050	6064	6082	6104	6115	6128	6138	6171	6197	6201	6202
6205	6207	6213	6215	6217	6249	6251	6393	6399	6419	6421	6432	6436	6445	6457
6461	6466	6471	6508	6509	6539	6541	6554	6559	6560	6565	6566	6616	6618	6628
6629	6794	6795	6815	6828	6833	6834	6837	6854	6855	6858	6865	6890	6893	6896
6898	6899	6906	6916	6928	6931	6957	6968	7118	7120	7336	7339	7376	7384	7386
7390	7420	7424	7430	7432										

Bonds outstanding from June 1987 Redemption:

£1,000

11132 11134 11135 11171

£100

9960 9964 7713 499

Bonds outstanding from June 1988 Redemption:

£1,000

11075 11076 11139 11140

£100

3345 3346 3350 3358 9804 9970

HAMBROS BANK LIMITED
5th April, 1989

BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV
41, Boulevard Royal
Luxembourg
R.C. Luxembourg B 25.258

Notice is hereby given that the extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg on April 13, 1989 at 3 p.m. with the following agenda:

- Amendments of the articles 1, 2, 5, 8, 9, 12, 18, 19, 20, 21, 22, 23, 24, 26 of the Articles of Incorporation of the Company in order to conform them to the law of March 30, 1988, more specifically to insert the investment policy and its restrictions such as authorised by the said law.

- Amendment of article 3 to be read as follows:

Article 3: The exclusive object of the Fund is to place the funds available to it in a diversified portfolio of equity and equity related investments in companies registered outside the United States of America, throughout the world, with the purpose of spreading investment risk and affording its shareholders the results of the management of the Fund's portfolio. The Fund may take any measures and carry out any operations which it may deem useful to the accomplishment and development of its purpose to the full extent permitted by the law of March 30, 1988, regarding collective investment undertakings.

- Cancellation of article 17.

- Appointment of two new members of the Board of Directors, Mr. Peter J. ROBB, Vice President, The First National Bank of Boston, Boston, Ma., U.S.A. and Mr. Kenneth B. INGRAM, Vice President, The First National Bank of Boston, Boston, Ma., U.S.A.

The resolutions may be passed with a minimum quorum of fifty per cent of the issued shares by a majority of two thirds of the votes cast thereon at the meeting.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund.

A copy of the new version of the proposed articles of incorporation is available for inspection at the registered office of the Company where a copy may be obtained.

By order of the Board of Directors.

BOSTON INCOME INVESTMENT FUND, SICAV
41, Boulevard Royal
Luxembourg
R.C. LUXEMBOURG B 25255

Notice is hereby given that the extraordinary general meeting of shareholders will be held at the registered office 41, Blvd. Royal, Luxembourg, on April 13, 1989 at 11 a.m. with the following agenda:

- Amendments of the articles 1, 2, 5, 8, 9, 12, 18, 19, 20, 21, 22, 23, 24, 26 of the Articles of Incorporation of the Company in order to conform them to the law of March 30, 1988, more specifically to insert the investment policy and its restrictions such as authorised by the said law.

- Amendment of article 3 to be read as follows:

Article 3.- Object

The exclusive object of the Fund is to place the funds available to it in transferable securities of all types with the purpose of spreading investment risk and affording its shareholders the results of the management of the Fund's portfolio. The Fund may take any measures and carry out any operations which it may deem useful to the accomplishment and development of its purpose to the full extent permitted by the law of 30th March, 1988, regarding collective investment undertakings.

- Cancellation of article 17.

- Appointment of two new members of the Board of Directors, Mr. Peter J. ROBB, Vice-President, The First National Bank of Boston, Boston, Ma., USA and Mr. Kenneth B. INGRAM, Vice President, The First National Bank of Boston, Boston, Ma., U.S.A.

The resolutions may be passed with a minimum quorum of fifty per cent of the issued shares by a majority of two thirds of the votes cast thereon at the meeting.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund.

A copy of the new version of the proposed articles of incorporation is available for inspection at the registered office of the Company where a copy may be obtained.

By order of the Board of Directors.

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV
41, Boulevard Royal
Luxembourg
R.C. Luxembourg B 27.278

Notice is hereby given that the extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg on April 13, 1989 at 6 p.m. with the following agenda:

- Amendments of the articles 1, 2, 5, 8, 9, 12, 18, 19, 20, 21, 23, 26 of the Articles of Incorporation of the Company in order to conform them to the law of March 30, 1988, more specifically to insert the investment policy and its restrictions such as authorised by the said law.

- Amendment of article 3 to be read as follows:

Article 3: The exclusive object of the Fund is to place the funds available to it in transferable securities of companies registered outside the United States of America, primarily throughout the Asia Pacific Region with the purpose of spreading investment risk and affording its shareholders the benefit of the management of the Fund's portfolio. The Fund may take any measures and carry out any operations which it may deem useful to the accomplishment and development of its purpose to the full extent permitted by the law of March 30, 1988, regarding collective investment undertakings.

- Cancellation of article 17.

- Appointment of two new members of the Board of Directors, Mr. Peter J. ROBB, Vice President, The First National Bank of Boston, Boston, Ma., U.S.A. and Mr. Kenneth B. INGRAM, Vice President, The First National Bank of Boston, Boston, Ma., U.S.A.

The resolutions may be passed with a minimum quorum of fifty per cent of the issued shares by a majority of two thirds of the votes cast thereon at the meeting.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund.

A copy of the new version of the proposed articles of incorporation is available for inspection at the registered office of the Company where a copy may be obtained.

By order of the Board of Directors.

INTERNATIONAL COMPANIES AND FINANCE

C&S turns down $2.3bn NCNB takeover bid

By Anatole Kaletsky in New York

CITIZENS & Southern, the leading bank in Atlanta, has rejected a $2.3bn takeover bid from NCNB, the rapidly expanding regional bank which would become the sixth largest banking institution in the US if its share-exchange proposal succeeded.

The C&S rejection, which was not unexpected, left the door open to a possible higher bid from NCNB. But the tone of the C&S directors' comments suggested NCNB might have to take its proposals directly to the shareholders in a hostile offer.

Given the regulatory obstacles faced by bank takeovers a hostile bid would certainly be a costly and time-consuming process.

Nevertheless, the possibility that a hostile bank takeover could ultimately be successful was demonstrated for the first time last year when Bank of New York won its 18-month battle to buy Irving Bank against the wishes of its board.

C&S emphasised four points in its rejection of the NCNB proposal, which would have swapped each share of C&S into 1.075 shares of NCNB. First, the offer was inadequate from a financial standpoint. Significantly, it added that "any offer of NCNB stock involves a substantial element of speculation because of the inherent uncertainties relating to NCNB's massive commitment in Texas."

NCNB, which is based in Charlotte, North Carolina, last year acquired from federal regulators the First Republic Bank of Dallas, the biggest bank in Texas.

Second, the C&S board said past performance suggested that the current management could do better than NCNB's to generate value from the bank's assets. Thirdly, C&S could serve its customers and communities better as an independent bank, and finally, it warned that a merger would encounter "significant problems of regulatory and public policy."

Corning Glass lifts net profits by 12%

By Karen Zagor in New York

CORNING GLASS Works, a leading producer of ceramic and glass products for fibre optics, catalytic converters and other applications, lifted net profits for the three months to March 26 by 12 per cent as sales advanced across the board.

Net profits rose to $41.1m or 46 cents a share, against $36.8m or 41 cents in the previous year. Revenues jumped 18 per cent to $533.5m from $453.3m a year earlier.

A tax-loss carryforward of $700,000 brought final net earnings for this year's first quarter to $41.8m or 47 cents a share.

The figures for 1988 do not reflect extraordinary charges in the form of an accounting change to cover medical benefits for retired Corning employees. With the charge, there was a loss of $83.9m or 46.8 cents a share.

Corning is already benefitting from its purchase of Revere Ware, which it acquired in the third quarter of last year and which contributed 4 per cent to total first-quarter sales.

The company said that while first-quarter sales improved generally, they were particularly strong in video-display bulbs, laboratory testing services and the optical fibre business. All were helped by exports to Europe.

The 138-year old company with headquarters in Corning, New York, plans to change its name to Corning Incorporated, subject to stockholder approval at its annual meeting on April 27.

Mr James Houghton, Corning's board chairman, said: "Our commitment to glass remains undiminished. The new name acknowledges the transformation of the company beyond its historic base in glass."

CSX advances to $77m

By Our Financial Staff

CSX, the US transport group, saw a sharp rise in net income in the first quarter. The company which has been undertaking a major restructuring lifted earnings from continuing operations to $77m or 70 cents a share from $46m or 28 cents on revenues ahead to $1.84bn from $1.74bn.

These figures exclude earnings from discontinued operations of $5m, or 4 cents, against $19m, or 12 cents last time. Earnings per share are based on average shares outstanding of $105.5m, compared with $155.6m.

The group said that for the second consecutive quarter, operating income of the three major transport units — rail, container shipping and barge — increased over the year-ago period.

In December, CSX announced it was selling its natural gas pipelines for a total of $646m to Transco Energy of Houston.

Strong fire protection side boosts Tyco Labs

By Karen Zagor in New York

TYCO LABORATORIES, the diversified manufacturer of products ranging from fire protection/flow control systems to electrical and electronic components and packaging materials, yesterday reported strong third quarter earnings.

Net profits for the period ending February 28 were $22m or 54 cents a share up from $17.2m or 46 cents a year ago. Revenues went ahead to $494.1m from $462.5m.

For the nine month period, net profits rose to $66.2m or $1.65 a share, against $45.8m or $1.21 a share on sales which improved to $1.43bn from $1.12bn the previous year.

The New Hampshire-based company said that third quarter profits from Grinnell, its fire protection/flow control segment, were almost double those in 1988. Performance was particularly strong at Grinnell's fire protection operations.

Tyco's packaging materials group also saw improved sales and earnings. Ludlow, the packaging materials company acquired in 1981, increased profits by 35 per cent over the previous year.

The company's greatest weakness is in its printed circuit group where sales for the quarter were lower than in 1988. Tyco said margins at the group increased despite declining sales.

● AMCA International, the Canadian industrial group, is to buy the assets of Tyco's TCI-Superior unit, Reuters reports. The purchase price was not disclosed. TCI will become part of AMCA's food processing and packaging equipment segment.

Avery plans to dispose of Uniroyal Chemical

By Karen Zagor in New York

AVERY, the former US coal company, plans to sell its Uniroyal Chemical unit for $800m, including the assumption of about $560m in debt, to a group led by Uniroyal Chemical management.

Drexel Burnham Lambert will act as the exclusive financial adviser to the purchaser and will arrange financing.

The sale, expected to be completed by the end of August, will leave Avery with about $22.5m in cash with no outstanding debt and no other material assets or liabilities.

According to Avery, since its acquisition of Uniroyal Chemical in 1986 for $710m, the chemical business has represented essentially all of Avery's consolidated operations.

However, Avery was unable to turn Uniroyal into a significant power in the world speciality chemical industry and the possibility of selling the unit has been discussed for more than a year.

The deal requires approval by Avery's board and stockholders and the obtaining of certain commitments from its bondholders.

It also needs Hart-Scott-Rodino clearance and other regulatory approvals. In addition the purchaser must still obtain financing.

Wickes to sell furniture unit

WICKES COMPANIES, the US diversified retailing and manufacturing company, is to sell its furniture division to a management group for $155m, AP-DJ reports.

The group is led by Mr John Klein, president and chief executive of Wickes Furniture, other members of the division's management, and certain affiliates of Kelso & Co. Part of the financing will be provided by First Boston.

Wickes Furniture has 23 showrooms and its revenues for the year to January 28, 1989, were about $215m.

WCI Holding, owned by Blackstone Capital Partners and Wasserstein Perella Partners, owns about 80 per cent of Wickes' common stock.

Chinese bank stake for ADB

THE ASIAN Development Bank (ADB), Long-Term Credit Bank of Japan and First Interstate Bank of Hawaii have agreed to acquire minority stakes in Xiamen International Bank, China's only joint venture bank, AP-DJ reports from Hong Kong.

Xiamen International said the ADB and the Japanese bank would each acquire 10 per cent while First Interstate would own 5 per cent.

CNW puts Italian assets up for sale

By Robert Gibbens in Montreal

CANADA Northwest Energy, a medium-sized western Canada producer, is putting its Italian oil and gas properties up for sale to reduce its debt burden. The assets are estimated to be worth more than C$200m (US$168m).

CNW, controlled by Transalta, Calgary, owns 20 per cent of the Vega field off the south coast of Sicily, Italy's largest oil producer, natural gas reserves totalling 30bn cu ft and 250,000 acres of exploration lands. The package includes CNW's share of Vega's undeveloped oil reserves.

CNW said the auction is designed not only to reduce debts totalling C$182m at last report, but also to position the company to bid for upstream assets being shuffled in western Canada following the takeover of Texaco Canada by Imperial Oil, and other mergers.

So far only half the Vega field which has been dogged by production problems has been developed. CNW, by selling out its interest, would also be off the book for a further C$80m in development spending.

CNW wrote down its Vega investment by C$118m last year, creating a net loss of $112m.

Mr Denis Mote, oil analyst with Maison Placement, Toronto, estimated the Italian assets were worth between C$200m and C$250m.

● Westar Group, Vancouver, is putting all its oil and gas assets in Alberta, Saskatchewan, and British Columbia, up for sale. They are estimated to be worth more than C$100m.

● Suncor is negotiating with several companies to sell part of its oil sands plant in Alberta, though it will probably keep majority control. Plans to raise output to 75,000 barrels daily at a cost of C$200m were shelved last year because of low oil prices.

Suncor wants to install a parallel production unit to bring total output to 125 barrels daily at a cost of C$2bn.

Varity launches second assault on Fruehauf

By Robert Gibbens in Montreal

VARITY Corporation, the farm equipment group that owns Perkins Engines in Britain, has made a further bid for Fruehauf Corporation of the US, owner of the Kelsey-Hayes truck parts manufacturing group. It would not, however, provide any details.

Last week Fruehauf sold its loss-making truck trailer division to another US company for the equivalent of about US$230m. Fruehauf's remaining principal asset is Kelsey-Hayes, a healthy and growing company, with plants in the US and Canada.

Varity's most recent offer for Fruehauf in February was valued at US$850m, but it was rejected by the management.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 11 April 1989

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 800 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 11 April 1989. An additional ECU 125 million nominal of Bills will be allotted directly to the Bank of England

2. The ECU 800 million of Bills to be issued by tender will be dated 13 April 1989 and will be in the following maturities:

ECU 300 million for maturity on 11 May 1989
ECU 300 million for maturity on 13 July 1989
ECU 200 million for maturity on 12 October 1989

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 11 April 1989. Payment for Bills allotted will be due on Thursday, 13 April 1989.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 13 April 1989 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989. All tenders will be subject to the provisions of that Information Memorandum.

9. The ECU 125 million of Bills to be allotted directly to the Bank of England will be in the following maturities:

ECU 75 million for maturity on 13 July 1989
ECU 50 million for maturity on 12 October 1989

These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum in order to facilitate settlement.

10. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
4 April 1989

INTERNATIONAL COMPANIES AND FINANCE

Santos profits sharply hit by Peko Oil writedown

By Our Financial Staff

SANTOS, the leading onshore Australian oil and gas producer, showed a deep erosion of its profitability last year, which it blamed on the appreciation of the local dollar as well as lower product prices for liquids.

Net profits from operations were cut by nearly a fifth to A$100.1m (US$82.6m) from A$125.0m – and were almost entirely eliminated by a A$97.9m extraordinary debit. Only A$7.9m was charged in this way for 1987, leaving the bottom-line result down 98.1 per cent at a negligible A$2.2m.

The main extraordinary item was a A$81.9m writedown of its investment in Peko Oil, representing the excess over revalued net tangible assets for the acquisition, made during the year. The A$440m Peko Oil purchase doubled oil reserves for Santos and took it into large-scale production offshore.

It brought the group's overall interest in the Timor Sea field to almost 20 per cent. The company said in Adelaide yesterday that benefits would be felt from 1990 as oil production from existing discoveries was brought on stream.

"The outlook for increasing oil production combined with continued cost control augurs well for the future," it said.

For last year, meanwhile, sales fell 17.8 per cent to A$436.1m and other income was also down at A$68.6m compared with A$76.6m.

Average crude oil prices fell by a third in Australian dollar terms in 1988, but Santos added that the first quarter of the current year had reversed this trend.

Its natural gas business which accounted for about 40 per cent of 1988 sales partly offset the effect of lower liquids prices due to a 7.7 per cent price rise, Santos said. Also of help was a lower tax bill of A$66.3m against A$95.3m.

The company is paying a final dividend of 10 cents, fully franked for local tax purposes, maintaining the year's total payout at 19 cents. This was drawn from net earnings per share, before the extraordinary deductions, of 31 cents against 41.3 cents.

Issued equity has also grown over the year to 399.7m shares from 270.2m.

Shell Australia leaps to record

By Chris Sherwell

A LOWER corporate tax rate and improved performances by the downstream oil, chemicals and metals divisions, have given Shell Australia record net profits of A$281.1m (US$231.8m) for the year to December.

Figures released yesterday by the wholly-owned subsidiary of Royal Dutch/Shell showed an 81 per cent rise in profits over 1987, despite a 5 per cent fall in operating revenues to A$3.18bn as a result of lower crude oil prices.

All business sectors made a profit for the first time since since 1980. The biggest single factor behind the improvement, however, was the cut in the Australian corporate tax rate from 49 per cent to 39 per cent, which produced an extraordinary gain of A$77m.

As in 1987, the biggest operational contribution to profit came from the downstream oil business – at A$121m it was 75 per cent up on the previous year.

Higher sales volumes overcame the impact of lower prices, intense competition and an industrial dispute, all of which squeezed margins and reduced market share.

The metals business produced its best-ever result, contributing a A$66.6m profit – up from A$36.7m – on doubled sales of A$160m.

These figures reflected the first full-year contribution from the large Boddington gold mine and higher alumina prices for the output of the Worsley project.

The chemicals division also produced a record result, contributing A$39m in profit against A$14.4m in 1987, on improved revenues of A$243m.

Mr Kevan Gosper, chairman, said both divisions showed how businesses could be turned into profit-making enterprises.

The group's expenditure on capital items, exploration and investment amounted to A$696m in 1988, up from A$515m the previous year, and Mr Gosper confirmed that capital spending over the next five years would average A$600m a year.

He warned, however, that the group's returns meant it was still not generating enough cash to fund such a programme. As a result borrowings would have to increase, which would add to the interest bill.

"Improving the rates of return from every business sector remains, therefore, the principal challenge facing Shell Australia as we enter the 1990s," he said.

Industrial action cuts earnings at Ok Tedi

By Chris Sherwell in Sydney

LAST September's industrial disruption at the Ok Tedi copper and gold mine in Papua New Guinea helped slash its 1988 profit to little more than a quarter of the 1987 level, according to figures released yesterday.

Ok Tedi Mining, which includes among its shareholders Australia's Broken Hill Proprietary (30 per cent), Amoco of the US (30 per cent) and the Papua New Guinea Government (20 per cent), declared no dividend after reporting a net profit of 20.7m kina (US$24.6m), down from 77m kina.

This was despite a rise in sales revenue to 331.5m kina from 297m kina.

The year's production amounted to 196,360 tonnes of concentrate containing 52,680 tonnes of copper and 381,360 oz of gold, and a further 198,770 oz of gold in bullion.

The mine is located atop Mt Fubilan in the forest-clad Star Mountains near Papua New Guinea's remote border with Indonesia.

Copper concentrate from treatment facilities near the summit is sent by a 135km slurry pipeline to a port high up the Fly River, where it is dried and barged a further 500-odd km downriver to a floating offshore terminal.

Mr Dick Carter, managing director of Ok Tedi, said yesterday the profit was "satisfactory" given the circumstances of 1988, when the mine was halted first by a strike and then by a mob rampage in the local mining town Tabubil.

He said industrial relations had now stabilised, and that the company would be a reliable long-term supplier of premium copper concentrate – its major product following the end of its gold bullion operation last September.

Ok Tedi started production in 1984 and is Papua New Guinea's second major mining project – the first, CRA's Bougainville Copper on Bougainville Island, began in 1972.

The mine is expected to reach its ultimate average processing rate of 70,000 tonnes of ore per day shortly.

Concentrate from the mine this year is exexpected to yield 120,000 tonnes of copper and more than 450,000 oz of gold.

BHP reshapes Sarich Technology role

By Gordon Cramb

THE WAY was cleared yesterday for an eventual entry of new partners in Sarich Technology, Mr Ralph Sarich's Perth-based company which has developed an orbital combustion vehicle engine.

This follows a restructure of the 17-year involvement of Broken Hill Proprietary (BHP), Australia's biggest company.

Sarich Technology, floated on the local stock market in 1984, is to take full control of Orbital Engine Company, previously a joint venture with BHP. In return for this and for an unwinding of loan arrangements, BHP will receive a 35 per cent stake in Sarich's expanded capital.

It has agreed to retain this holding of 94.25m shares for at least a year, but can then reduce the stake to 25 per cent. By 1993 it will be free to sell a final 15 per cent.

Shares in Sarich fell 8 cents yesterday to A$1.50, valuing the holding at some A$141.4m (US$115.8m).

Sarich has found it difficult to secure a large-scale commercial role for its engine, although Ford holds a manufacturing licence.

UIC to buy 20% stake in Malaysian bank

By Wong Sulong in Kuala Lumpur

UNITED Industrial Corporation (UIC), a diversified Singapore group, is to buy a 20 per cent stake in Development and Commercial Bank of Malaysia for 106.7m ringgit (US$38.8m).

UIC will pay 96.6m ringgit to Roxy Electric Industries, a Malaysian investment group, for 67.8m shares in D&C Bank. UIC will then pay a further 10.1m ringgit for its rights entitlement of 33.9m shares.

The deal has received the approval of Bank Negara, the Malaysian central bank.

The agreement ends more than a year of tortuous negotiations between UIC and Roxy. The Singapore company will end up with 101.7m shares or 20 per cent of D&C's enlarged capital – the maximum the central bank allows.

Originally, UIC was to take a minimum of 18.8 per cent in Roxy by participating in a 135m ringgit rights issue. Analysts say the final deal was a better one for UIC, as it would gain a major stake in a large Malaysian bank without becoming involved in the other activities of the loss-making Roxy.

Roxy's stake in D&C will fall to 13.2 per cent.

Roxy is controlled by the family of the late Tun H.S. Lee, Malaysia's first finance minister, who founded D&C.

The Lee family was reported to have incurred heavy losses in share and property deals during the 1985 recession, and a large part of its holdings in Roxy has been sold in the market by the family's creditor banks.

Ten Cate sells control of S African textiles group

By Jim Jones in Johannesburg

KONINKLIJKE Nijverdal Ten Cate (KTC), the Dutch group, has divested from South Africa by selling its 62 per cent interest in Mooi River Textiles to Avtex, a company in the local Anglovaal mining and industrial group.

The interest has been sold for R48.5m ($11.6m at the financial rand exchange rate), equivalent to R11.50 a share. Mooi River's annual sales exceed R50m and rose in 1988 with strong consumer spending.

The sale represents the withdrawal of foreign capital from the country's textile industry. In February Tootal of the UK sold its 49.8 per cent of the local Da Gama company to South African Breweries for R175m.

Trading in Mooi River was suspended on the Johannesburg Stock Exchange last week when the shares stood at R7.50 and analysts believe the premium Avtex has paid recognises the growing scarcity of takeover targets in an economy hedged with exchange controls.

In recent months Anglovaal and its associates have bought the Lavino chrome mine from Aimcor, the US conglomerate, and acquired 29.9 per cent of the UK-registered North Sea & General mining company.

NCR disposes of offshoot

NCR, the US computer company, has divested from South Africa by selling out to Fintech, a local electronics company, and unnamed European investors, writes Jim Jones in Johannesburg.

The companies said in Johannesburg yesterday that political pressures in the US had become difficult to resist. NCR was the last US computer supplier in South Africa and its exit followed that of Hewlett-Packard two weeks ago.

Fintech is part of the South African Altech industrial group. Mr Jacques Sellschop, a director of Fintech, declined to disclose any details of the transaction yesterday but said a controlling 50.1 per cent of NCR's equity would be owned by Fintech and the remaining had been sold to institutional investors in Europe.

NCR has about 70 per cent of the South African market for automatic teller machines. The US parent has appointed Fintech as its exclusive distributor in South Africa.

INTERNATIONAL CAPITAL MARKETS

Mixed feelings over US regulation

Alfred Byrne, Allan Mostoff and Olivia Adler on SEC proposals

Several regulatory proposals recently published by the US Securities and Exchange Commission should, if adopted, ease dealings between non-US securities firms and US investors.

The proposals would create express exemptions from registration and clarify SEC policies regarding international securities transactions.

At the same time though, recently enacted insider trading legislation could expose to significantly greater liability foreign companies whose securities are traded in the US, as well as foreign securities firms dealing in securities traded in the US.

On the positive side, proposed SEC rule 15a-6 would create two "safe harbours" for non-US securities firms which provide research to US investors and execute securities transactions for them. If adopted, the rule would permit these firms to deal with US institutions, foreign affiliates of US organisations and international agencies, without registering with the SEC as broker-dealers.

For transactions not within a safe harbour, the SEC has also proposed a clear restatement of its staff's general policies in this area. A proposal to codify these is also under consideration.

The first of the two proposed safe harbours would exempt from US broker-dealer registration any non-US broker-dealer whose only US clients were institutions (as defined in the rule) provided it dealt with those clients only from outside the US and only through a US-registered affiliate that executed all transactions, maintained all records, assumed full responsibility for the accounts and accepted service of process for the non-US entity.

The rule would liberalise current SEC staff interpretations by not requiring a US-registered agent to participate in all conversations between the US institution and the unregistered entity.

The second proposed safe harbour would be available to unregistered broker-dealers whose US-related clients included only:

- Non-US branches and agencies of US entities located, for "valid business reasons," outside the US.
- Foreign affiliates of US entities located outside the US.
- The International Monetary Fund, International Bank for Reconstruction and Development, and the United Nations and its affiliates.

The proposed interpretive positions generally follow a geographic approach. Activity involving purchasers resident in the US, regardless of nationality, would be regulated, but activity involving purchasers, including US citizens, resident abroad would not be regulated even if US facilities or securities were involved in the transaction.

However, activities directed toward specifically targeted groups of US citizens resident abroad, such as US military or diplomatic personnel, would continue to be regulated.

Similarly, any conduct of securities sales activities from within the US would require US registration.

Thus, even a non-US firm selling securities exclusively to people outside the US would be required to register if it were engaged in solicitation from or in the US.

If a safe harbour were not applicable, a non-US entity would have to register if it were to engage in solicited securities transactions directly with US persons in US markets.

Registration could be avoided by dealing through a US affiliate which would execute transactions (although it may do so through its foreign affiliate's trading desk), assume responsibility for the account and adopt service of process on the unregistered entity.

Unlike the proposed safe harbour, a US-registered agent would have to participate in all communications between the unregistered entity and US clients, although that agent may be located in a non-US office.

The comment period on these proposals has now expired and final action from the SEC may be expected early next year. While reaction to the general thrust of the proposal has been favourable, there has been considerable negative comment regarding both the requirement for dealing through a US affiliate and the broad definition of "solicitation," which would generally require registration of firms providing research to US investors.

The Insider Trading and Securities Fraud Enforcement Act of 1988, enacted last October, has considerably less favourable implications for non-US public companies and securities firms. The act does not define insider trading but it expands the universe of persons and companies potentially liable to include those which "control" a violator. The act also considerably increases criminal penalties for direct violators.

The act provides for the payment of "bounties" to persons providing information leading to the imposition of a penalty and creates an express private right of action in favour of persons who trade contemporaneously, on the opposite side, with a transaction which is in violation of the law.

Finally, the right of courts to fashion other private rights of action on behalf of persons otherwise damaged by insider trading is specifically endorsed.

If precedent is any indication, it is likely that the SEC will interpret the act as applicable to non-US persons acting abroad.

Thus non-US securities firms involved with securities traded in the US and foreign issuers of US-traded securities should carefully consider the implications of the act — particularly the expanded "controlling person" liability.

US courts have, to date, been reluctant to impose maximum penalties for insider trading. However, the act is a clear expression of US Congressional intent that the courts deal more harshly with violators.

Moreover, another provision of the act is likely to encourage non-US authorities to assist the SEC in prosecuting insider trading violations by non-US entities.

That provision gives the SEC the right to conduct investigations in the US on behalf of foreign securities authorities, but expressly requires the SEC, in exercising this authority, to consider whether the foreign country would provide reciprocal assistance to the SEC in conducting its own investigations.

Thus entities which are subject to potential liabilities will be well-advised to establish and enforce procedures that demonstrate diligent efforts to prevent misuse of material non-public information about securities traded in the US, even if such procedures are not directly required by the Act (as they are for US registered broker-dealers and for investment advisers who are registered or required to register with the SEC).

The Insider Trading and Securities Fraud Enforcement Act is new and untested. It is broad and incorporates many undefined terms. The penalties are severe and the pressure in the US to prosecute violators, wherever located, is intense. An informed, vigilant and cautious approach would seem to be indicated.

Mr Byrne and Mr Mostoff are partners in Dechert Price & Rhoads, a US legal firm. Ms Adler is a senior associate.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92¼	92¾	+0¼	0	10.65
B.F.C.E. 7 92	150	–	–	–	–	–
B.F.C.E. 9¼ 95	150	96⅛	96⅝	+0¼	+0⅞	10.00
Brit. Tel. Fin. 9⅞ 98	250	96½	97	+0¼	+1	9.90
Canada 9 96	1000	96⅞	97⅜	+0⅝	+1¼	9.58
Canadian Pac 10¾ 93	100	†100	101	+0¼	+0½	10.57
C.C.C.E 9¼ 95	300	96⅞	97⅜	+0½	+1⅛	9.94
C.N.C.A 9¾ 93	150	†97⅞	98⅜	+0⅝	+1¼	6.93
Credit Lyonnais 9 92	200	†97⅝	98⅛	+0⅛	+0⅜	10.26
Credit National 8¼ 93	200	†93⅞	94⅜	+0½	+1	10.13
Credit National 7⅜ 92	100	92⅝	93⅛	+0⅝	+0¾	10.20
Credit National 9½ 92	160	98¾	99¼	+0⅜	+1⅛	9.80
Dai-Ichi Kan 9⅝ 92	150	97¾	98¾	+0⅛	+0½	10.30
Denmark 7⅛ 92	500	92	92½	+0⅛	+0½	10.32
E.E.C. 7 91	100	92¾	93¼	+0⅛	+0¾	10.09
E.E.C. 7¼ 93	250	90⅞	91⅜	+0½	+0¾	10.10
E.E.C. 8 90	350	†96⅞	97⅛	0	0	10.60
E.I.B. 7⅝ 93	100	90⅝	91⅛	0	+0⅝	10.14
E.I.B. 9⅜ 97	150	–	–	–	–	–
Elec. De France 9 98	200	94¾	95¼	+0⅜	+1¼	9.86
Finland 7⅞ 97	200	88⅞	89⅜	+0¼	+1¼	9.93
Finn. Exp. Cd. 8½ 92	200	95⅜	95⅞	+0⅜	+0⅝	10.29
Finn. Exp. Cd. 9⅜ 95	200	96⅜	96⅞	+0¼	+0⅞	10.08
Ford Motor Credit 8 91	250	†95⅞	96⅜	+0½	+0½	10.27
Gen. Elec. Cap. Corp. 9 93	500	95¾	96¼	+0½	+0¾	10.09
Gen Elec Credit 10¼ 00	200	99½	100	0	+0⅛	10.28
Gen. Mtrs. Corp. 9⅛ 92	200	96½	97	+0⅛	+0½	10.31
Halifax BS 9½ 93	200	†96⅞	97⅜	+0⅜	+0⅝	10.35
IBM Credit Corp. 8⅞ 91	250	97⅛	97⅝	+0⅜	+0⅝	10.04
IBM Credit Corp. 9½ 92	250	98¾	99¼	+0¼	+0½	9.90
Italy 9½ 95	1000	97½	98	0	+1	9.96
Italy 9⅝ 99	1000	97⅞	98⅜	+0⅜	+1¼	9.92
L.T.C.B of Japan 8 91	100	94½	95⅛	0	+0¼	10.58
L.T.C.B. of Japan 9¼ 92	200	96⅝	97⅛	+0⅛	+0⅜	10.30
Metropolis Tokyo 9½ 93	200	98⅝	99⅛	+0¼	+0¼	9.85
Nippon Tel. & Tel. 9⅞ 98	250	96⅝	97⅛	+0¼	+1	9.88
Norway 8¾ 93	500	95⅞	96⅜	+0⅜	+1	9.98
Portugal 8¼ 91	300	†95¾	96¼	+0¼	+0½	10.60
Prudential Crp. 8¾ 94	125	94⅞	95⅜	+0⅜	+1	9.96
Qantas Airways 10⅜ 95	140	101¼	101¾	+0½	+0⅞	10.02
Saskatchewan 10¼ 92	100	101⅛	101⅝	+0¼	+0⅝	10.16
State Bk S Aust 9¼ 93	100	96⅝	97⅛	+0⅜	+0⅝	10.25
Sumitomo Bank 9⅞ 92	150	98	98½	+0⅛	+0¾	10.20
Swed Exp Cred 7¼ 91	100	†93¼	93⅝	+0¼	+0⅝	10.15
Sweden 7 91	250	93	93½	+0¼	+0½	10.14
Sweden 8¼ 96	200	94⅜	94⅞	+0⅜	+1¼	9.85
Sweden 8½ 92	200	†95½	96	+0½	+0⅜	10.01
Toyota 9½ 91	200	97⅝	98⅛	-0⅛	+0⅛	10.40
Victorian Rep 11⅛ 92	150	103⅛	103⅝	+0⅛	+0⅜	10.27
World Bank 7 92	300	†92⅝	93⅛	+0⅛	+0⅜	10.00
World Bank 9 97	300	94⅞	95⅜	+0⅛	+1⅛	9.86
World Bank 9¼ 98	300	96¼	96¾	+0¼	+1¼	9.81
World Bank 9⅝ 99	500	98½	99	0	+1⅛	9.82
Yasuda Trust Fin 8½ 93	100	†93½	94	+0½	+0½	10.38

Average price change... On day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	97⅜	98⅛	-0⅛	-0⅜	6.48
Avis Fin. SVS 5⅞ 92	100	97¾	98¼	+0¼	-0¼	6.64
Bank of Tokyo 5¾ 93	100	96⅝	97⅛	0	-1⅛	6.64
Central Bk. Turkey 7 92	200	100¼	100¾	0	-0⅞	6.81
Commerzbank o/s. 5⅞ 93	300	96¼	96¾	0	-0⅛	6.44
Degussa Int. 6⅛ 97	200	94⅛	94⅞	-1½	-1⅞	7.02
E.I.B 5½ 98	150	91	91⅜	-0⅛	-0⅛	6.80
E.I.B. 6¼ 99	600	96⅛	96⅝	0	0	6.80
E.I.B. 6⅛ 96	300	96⅜	97¼	0	0	6.67
E.I.B. 6⅛ 97	400	95⅞	96⅛	0	+0⅛	6.77
E.I.B. 6⅞ 95	300	100⅞	101¼	+0⅛	+0⅛	6.67
Euro. Coal & Steel 5⅞ 97	175	94½	95⅛	+0⅛	+0⅛	6.75
Eurofima 6¼ 96	100	98⅛	99⅛	0	+0⅛	6.47
Elec De France 5¾ 97	300	93⅝	94⅜	+0¼	0	6.72
Forsmark Krtg. 5⅛ 93	200	94¼	94⅞	-0⅛	-0¼	6.73
I.A.D.B. 6 97	200	94⅞	95⅛	-0⅛	0	6.84
Japan Dev. Bk. 5⅞ 95	300	93¼	94	+0⅛	0	6.69
Japan Finance 5¾ 97	100	93⅞	94	0	+0⅜	6.82
Ireland 6½ 97	300	98¼	98⅞	0	+0¼	6.74
Malaysia 6¼ 94	150	100⅝	101⅜	0	+0⅛	6.01
Nat. West Bk. PLC 6 98	300	93⅞	94⅝	0	+0½	6.87
N.H.L. Finance 6¼ 95	200	†95⅞	96⅛	-0½	-1	7.02
Nippon Telg. & Tel. 6 95	400	97¼	98½	0	+0⅜	6.21
Oesters. Kontbk. 5 93	300	95⅜	96⅜	-0¼	-0⅜	6.24
Portugal 5¾ 92	150	97⅛	97⅞	0	+0¼	6.60
Portugal 6⅝ 95	150	98½	99¼	+0¼	0	6.84
Privatbanken 5¾ 93	150	95	95⅝	+0¼	+1⅛	6.67
Royal Insurance 5⅜ 92	300	97⅞	98⅛	+0⅛	+0⅜	6.29
Soc Cent Nuclear 7¼ 95	150	100⅞	101⅝	0	+0¼	6.99
Turkey 6½ 95	500	96⅝	97⅜	-0⅛	-0⅛	7.12
Union Bk. Finland 5½ 94	200	94⅛	94⅞	0	0	6.85
Westlb. Finance 5 93	200	†94⅛	95⅛	-0¼	-0½	6.60
World Bk. 6¼ 97	600	97¼	97⅞	0	+0⅛	6.82

Average price change... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†95½	96	+0½	-1⅛	5.72
Asfinag 5 03	100	†92½	93	-1⅛	-0⅜	5.75
B.F.C.E. 4½ 98	200	†91¼	92	0	-0⅜	5.65
B.M.W. Fin. Neth. 5 13	150	†88	88¼	+0⅛	0	5.94
Britannia B/S. 4¾ 94	200	†92¼	93¼	0	-0⅞	5.82
GIR. Int. W/W 3 93	125	†93¼	93½	+0⅛	0	4.74
Credit Lyonnais 4¾ 00	100	†90½	91	0	-0⅛	5.90
E.I.B 4⅝ 98	150	†93	94	-0⅜	-0⅛	5.54
Fletcher Chall. 4⅞ 98	150	†90¼	91	-0⅜	-0⅝	6.27
Kobe City 4⅝ 98	150	†93	93½	+0⅛	-0⅛	5.57
Leeds Perm. B/S. 4⅛ 93	200	†92	92⅛	-1¼	-1⅞	6.33
Malaysia 5¼ 98	100	†94	95	0	+0¼	6.04
Maxwell Comm. Crp. 5 95	150	†94½	95½	-0⅛	-2⅛	5.98
Nat. Bk. Hungary 5½ 94	75	†98	98¼	+1⅛	+2⅜	5.89
Nationwide Ang. B/S. 4 93	200	†92½	93	-0⅜	-0¼	6.00
Nippon Telg. & Tel. 4¼ 95	200	†94⅛	95¼	0	-1½	5.18
Oesters. Ktbk. 5 03	75	†93¼	95	+0⅛	-0⅛	5.58
Prov. Newfoundland 5 03	150	†96	96½	-0⅛	-0⅛	5.37
Thailand 4⅝ 95	200	†93¼	94⅛	0	+0¼	5.84
World Bank 5 03	150	†96½	97⅛	0	+0⅛	5.31

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	101⅝	102⅛	+0⅛	+0⅛	4.98
Canada 5⅜ 93	80	102⅛	102⅝	+0⅛	+0⅛	5.02
Eurofima 5 1995	20	99	99½	+0⅛	+0⅛	5.15
E.I.B. 4⅞ 93	30	99	99½	+0⅛	+0⅛	5.12
Ireland 5⅛ 93	30	99⅞	100⅜	+0⅛	+0⅛	5.09
Norway 5⅛ 95	50	100⅛	100⅝	+0⅛	+0⅛	5.08
Sweden 4⅝ 93	50	98⅛	98⅝	+0⅛	+0⅛	5.10
World Bank 5⅛ 98	10	99⅛	100⅛	+0⅛	+0⅛	5.12
World Bank 7 94	20	108	108½	+0⅛	+0⅛	5.12

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 93 £	50	96⅝	97⅛	+0⅛	-0⅞	11.23
Abbey Nat. 11⅛ 95 £	100	99	99⅜	0	-0⅛	11.82
Alg. Bk. Ned. 5½ 92 FL	150	95⅜	95⅞	0	-0⅛	7.29
Alg. Bk. Ned. 5¾ 93 FL	200	97⅛	97⅝	0	+0⅜	6.52
Austria 7½ 94 ECU	100	96	96⅛	+0¼	0	8.49
Bk. Nova Scot. 14⅞ 90 A$	75	95⅜	96⅛	-0⅛	-0⅛	17.38
Barclays Aus. 13½ 91 A$	100	95⅜	95⅞	-0⅛	-0⅛	15.66
BP Capital 9⅜ 93 £	100	93⅜	94⅛	+0⅛	-0⅛	11.70
British Airways 10 98 £	100	92⅛	92⅝	+0⅛	-0⅛	11.40
Buhrmann-Tet. 6⅜ 93 FL	100	96⅝	97⅛	0	0	7.24
Comm. Bk. Aust. 12⅛ 93 A$	100	91⅜	92⅛	0	-0⅛	14.19
Coop. Ctr. Rabo. 6⅞ 93 FL	100	98⅛	98⅝	0	+0⅛	6.66
Coop. Ctr. Rabo. 6 92 FL	200	97½	98	0	+0⅛	6.78
Dixons 11 95 £	90	†96⅛	97⅛	-0⅞	-0⅞	11.66
Dent. Bk. Aus. 13⅝ 93 A$	125	96⅛	96½	-0⅛	-0⅛	14.47
Eastman Kodak 13 90 A$	100	94⅞	95⅛	-0⅛	-0⅛	17.02
E.I.B. 7 96 LFr	100	†97⅛	98⅛	+0⅛	0	7.43
Elec. France 10⅛ 95 C$	125	†96⅛	96⅝	+0⅛	+1⅛	11.07
Euratom 7⅞ 97 ECU	145	91⅞	92⅜	+0⅛	-0⅛	8.82
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†95⅛	95⅝	+0⅛	+1⅛	11.44
Fed. Bus. Dev. Bk. 10⅞ 93	50	96⅞	97⅜	+0½	+1	11.44
Ford Cr. Can. 10⅛ 93 C$	100	†97⅛	98	+0⅛	+1⅛	11.48
Ford Cred. Can. 10⅞ 96 C$	125	97⅛	98⅛	+0⅛	+0⅞	11.38
Ford Mtr. Cred. 7½ 91 ECU	100	96⅛	96⅝	+0⅛	+0⅛	8.97
G.M.A.C. 9⅛ 93 C$	150	†94⅝	95⅛	+0⅛	+0⅛	11.37
Honda Intl. 7⅞ 93 Ecu	100	†96⅛	96⅝	+0⅛	+0⅜	8.80
Hydro-Quebec 11 99 C$	400	98⅜	98⅞	+0⅛	+1⅛	11.25
Lloyds Bank 10⅛ 98 £	150	93⅞	93⅜	+0⅛	-0⅛	11.44
Lloyds Bank 11⅜ 98 £	100	97⅞	98⅜	+0⅛	-0⅝	11.68
Montreal Tst. 10⅛ 93 C$	100	†96⅛	96⅝	+0½	+1	11.81
Morgan Guar. Tst. 11 91 C$	150	98⅝	99⅛	+0⅛	+0⅛	11.67
Nat. Aus. Bk. 14⅛ 94 A$	100	†98⅛	98⅝	-0⅛	-0⅛	15.21
Ned. Midd. Bank 6 92 FL	150	96⅝	96⅞	0	-0⅛	7.34
New Zealand 9½ 93 £	100	92⅞	93⅜	+0⅛	-0⅛	11.75
New Zealand 7⅞ 93 ECU	200	97	97½	+0⅛	0	8.60
Philips Gleoil. 6 93 FL	300	96½	97	0	+0⅛	6.88
Privatbanken 7½ 94 LFr	500	†98⅛	99⅛	+0⅛	0	7.81
Royal Bk. Scot. 10⅝ 98 £	125	95⅛	96⅛	-0⅛	-0⅛	11.43
Saskatchewan 9⅞ 91 C$	150	†96⅛	96⅝	+0⅛	+1	11.70
Saskatchewan 10⅛ 93 C$	200	95⅝	96	+0⅛	+1	11.45
State Bk. NSW. 13⅞ 93 A$	100	94⅞	95	-0⅛	-1	15.51
Sweden 15 94 A$	100	101⅛	101⅜	-0⅛	0	14.54
Union Bk. Switz. 7½ 93	150	†96⅛	96⅝	0	-0½	8.42
World Bank 5⅞ 92 FL	100	97⅞	98	0	0	6.65
World Bank 13⅛ 92 A$	100	†98	98½	+0⅛	+0⅛	14.00
Zentrspk. 13⅛ 93 A$	75	95⅛	96	-0⅛	-0⅛	14.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.73	99.78	18/04	13.21
Belgium 91 US	0	100.07	100.17	19/08	10
Chase Manhattan Crp. 91 US	0¼	99.33	99.58	20/08	9.94
Chelt. & Gloucester 94	.063	99.76	99.81	30/05	13.47
Citicorp 98 US	0¼	98.23	98.48	29/05	10.33
Credit Foncier 98 US	.063	99.93	100.03	20/04	8.44
EEC 3 92 DM	0	100.96	101.06	20/08	6.72
Halifax BS 94 £	.1	99.87	99.92	6/05	13.07
Invt. In Industry 94 £	-0⅛	99.95	100.05	24/05	13⅛
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	13/04	13.37
Midland Bank 01 £	.1	97.91	98.29	7/05	13.1
Milk Mkt. Brd. 5 93 £	0⅛	99.91	99.96	30/12	12.06
New Zealand 5 97 £	.07	100.00	100.11	14/11	12.19
State Bk. Nsw. 98 US	.188	100.25	100.35	11/08	9.94
Woolwich Equit. BS. 95 £	0⅛	99.95	100.00	13/04	13.37
Woolwich 5 95 £	-0⅛	99.86	99.91	19/05	13.12

Average price change... On day +0.00 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	110¼	111¼	+0¼	14.92
Amer. Brands 7⅛ 02 US	10/87	56.7	118⅛	119⅛	+1⅛	2.62
Ashikaga Bank 2⅛ 02 US	4/87	967	141	142	+2⅛	6.81
Asics 5 92 DM	12/83	472.7	237⅛	238⅞	0	5.81
CBS. Inc. 5 02 US	4/87	200	95	95⅛	+0⅛	8.69
Comm. Credit 5⅛ 02 US	4/87	66.75	64⅛	65⅛	0	103.78
Eng. China Clay 6¼ 03 £	9/88	4.8	109⅛	110⅛	+0⅛	-0.56
Fujitsu 3 99 US	5/84	1186	224⅛	225⅛	+2⅛	-0.23
Land Secs. 6¼ 02 £	6/87	6.72	96⅛	97⅛	0	13.61
MCA Inc 5½ 02 US	9/87	69.62	94⅛	95⅛	+2⅛	-16.95
Minolta Camera 2¼ 94 DM	2/86	1804	108⅛	110⅛	-0⅛	7.09
Mitsubishi Bk 1⅛ 02 US	9/87	3157	122⅛	123⅛	+1⅛	10.72
Mitsui Trust 2⅛ 01 US	10/86	1903	139⅛	140⅛	+2⅛	7.18
Next Plc 5⅛ 03 £	11/87	4.3	98⅛	99⅛	-0⅛	187.64
Nishi Nipp. Bk 2⅛ 03 US	4/88	804	120	121	+1⅛	7.05
Omron Tateisi 2⅛ 02 US	4/87	1316	210	211	+6	-0.53
Ranks Hovis 4⅞ 03 £	1/88	3.5	116⅛	117⅛	+0⅛	2.78
Redland 7⅛ 02 £	11/87	5.4	101	102	+1	4.40
Sandvik & Stohl. 6¼ 03 £	11/89	4.41	94	95	+0⅛	43.71
Sumitomo Bank 3⅛ 04 US	2/89	4206	93⅛	94⅛	+2⅛	15.40
Texas Inst. 2⅛ 02 US	9/87	82.87	73⅛	74⅛	+0⅛	-53.00
W.R. Grace 6¼ 02 US	9/87	42.12	93⅛	94⅛	+2⅛	20.75

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Chemical Bank quits Euromarket

By Norma Cohen

CHEMICAL BANK said yesterday it was withdrawing from Eurobond trading, becoming the eighth firm to make such a decision in recent months.

The move highlights the increasingly competitive nature of the Eurobond business where even firms with the largest market share complain that profit-making is difficult. Chemical said it would be making 15 staff redundant, out of which eight were involved in sales and trading.

While the firm has not been an underwriter of new issues for several years, it had been a market maker in the dollar sector.

Chemical said it was reorganising its fixed-interest activities, forming a new unit which would integrate all remaining money market and securities activities. Emphasis would be placed on highly liquid instruments denominated in leading currencies.

The unit would incorporate the bank's US and D-Mark government bond trading activities as well as money market and futures and options businesses.

As part of the reorganisation, Chemical also said it would be selective in seeking new Eurocommercial paper business although it would continue to participate as a dealer in existing programmes.

Eurocommercial paper, in general, has proved a highly competitive business. According to a recent Bank of England study, margins are two to three basis points, compared with five to eight basis points on US commercial paper.

Saudi Intl posts strong recovery

By David Barchard

SAUDI INTERNATIONAL, the London-based consortium bank in which the Saudi Arabian Monetary Agency has a 50 per cent shareholding, yesterday reported pre-tax profits of £11m ($18.7m) for 1988.

This compares with a loss of £44,515 in 1987 after provisions of £58.3m against Third World debt losses.

Operating expenses including staff salaries fell to £12.5m from £13.6m. Mr Peter de Roos, executive director, said this was largely because of redundancies carried out in October 1987, but that the bank had also achieved economies by sub-letting part of its premises.

Total assets at the end of 1988 were £2.5bn (£2.3bn), while the capital and reserves of the bank amounted to £188m (£180m).

The bank proposed to pay dividends worth £2.5m to the banks which owned it.

INTERNATIONAL CAPITAL MARKETS

GOVERNMENT BONDS

Cash outstrips long bonds over 1989 first quarter

By **Katharine Campbell** in London and **Janet Bush** in New York

ANYONE IN need of explanations as to the widespread lethargy of bond markets in the first quarter of this year can turn to a recent report by Midland Montagu, which reveals that cash has outperformed the 10-year bond in each major market.

In domestic currency terms, 10-year UK gilt-edged securities returned 3.1 per cent in the first three months of this year, a better return than any of the others, which mostly produced negative returns.

Returns on US Treasuries were 1.1 per cent over the quarter. Three-month cash in the UK and the US yielded 3.3 per cent and 2.3 per cent respectively.

The unexpected strength of the dollar meant that no foreign bond market (among those surveyed) yielded positive returns for the US investor. A hapless American investor with Swiss bonds in his portfolio would be facing a 14 per cent decline in the value of his holdings in dollar terms. This picture is, of course, entirely to be expected where most yield curves are inverted, or at best very flat.

US TREASURY bonds rose yesterday as the dollar hovered above the lows reached after a statement by Mr Pierre Bérégovoy, French Economics Minister, that the Group of Seven did not want the dollar to move higher.

In late trading, prices were quoted as much as ⅝ point higher in short maturities and stood about ½ point higher at the long end of the market. The Treasury's benchmark long bond rose 11/32 point for a yield of 9.01 per cent.

With no important economic releases until Friday's March employment and wages figures, the market is tending simply to track movements in the dollar, and oil and commodity prices.

The dollar weakened early in the session but had clawed back some ground from its lows by late trading. Against the D-Mark, it was quoted at DM1.8690 from a low of DM1.8625. Mr Bérégovoy said it would be easier to avoid a race on raising interest rates if the dollar did not rise.

Price gains also came against a background of rising oil prices. Crude futures for May delivery were quoted 49 cents higher at $20.44 a barrel in afternoon trading on the New York Mercantile Exchange.

THE announcement of two US-style repurchase agreements knocked a good 10 pfennigs off an otherwise firm German bond market.

Traders had been hoping for at least one tranche to be issued at a fixed rate, which would have been seen as signalling stable short-term interest rates. However, some bankers cautioned against reading too much into the central bank's move.

Tomorrow's council meeting, which is not expected to produce an official rate rise, will include the release of the Bundesbank's 1988 profits, expected to exceed DM10bn ($5.3bn).

As most of this money is transferred to the Government to reduce funding requirements, it will have an expansionary effect on money market funds.

IT WAS another lethargic day in the UK market as gilt-edged securities traded in a narrow range, unmoved by the reiteration of Mr Nigel Lawson, the Chancellor, that he is determined to use interest rates to combat a weak pound.

On Liffe, the June long-gilt future closed just 1/32 of a point firmer than the previous close at 96-06.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-11	+5/32	10.80	10.78	10.56
		9.750	1/98	97-15	+4/32	10.19	10.10	9.98
		9.000	10/08	97-28	+2/32	9.24	9.14	9.05
US TREASURY *		8.875	2/99	98-08	+12/32	9.15	9.46	9.34
		8.875	2/19	98-18	+16/32	9.01	9.22	9.15
JAPAN	No 111	4.600	6/98	96.5029	-0.150	5.16	5.14	5.12
	No 2	5.700	3/07	106.5244	-0.203	5.01	5.06	4.98
GERMANY		6.375	11/98	98.1250	+0.200	6.93	6.98	6.96
FRANCE	BTAN	8.000	1/94	96.1347	+0.039	9.01	9.16	9.33
	OAT	8.125	5/99	94.6500	-0.160	8.94	9.03	9.17
CANADA *		10.250	12/98	99.3750	+0.250	10.35	10.69	10.49
NETHERLANDS		6.7500	10/98	97.6750	+0.300	7.08	7.13	7.19
AUSTRALIA		12.000	7/99	90.5542	+0.103	13.72	13.58	13.59

London closing. *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Appeal for informal sterling issue queue

By **Norma Cohen**

THE British Merchant Banking and Securities Houses Association has asked the Bank of England to consider running a queuing system for new equity and debt issues on an informal basis, now that the formal new issues queuing system has been abolished.

Formerly, all underwriters of sterling issues had to obtain timing consent from the Bank prior to launching a new deal. The Bank had thus been able to avoid scheduling a simultaneous rush of issues that would compete for investor attention.

The abolition of the queuing system for sterling issues, which has existed since the 1950s, was abolished by Mr Nigel Lawson, the Chancellor, in his Budget on March 14. It was one of several reforms aimed at relaxing restrictions that inhibited the issuance of sterling instruments.

"It is really rather a shame that the help you used to get from the Bank of England by being forewarned about other issues is no longer available," Mr Robin Hutton, director general of the association, said in explaining why the group sought to undo a recent measure of reform. He added that the BMBA would oppose reinstatement of mandatory timing consent.

For its part, the Bank is believed to be largely unwilling to resume responsibilities for scheduling sterling issues, viewing it as the market's responsibility to run such a system if it feels it is desirable.

Mr Hutton explained that the Bank had been approached as the most logical candidate to run a voluntary queuing system because it already had the expertise and because it was seen as an impartial observer.

INTERNATIONAL BONDS

Toyota Motor Finance launches $200m issue over two years

By **Andrew Freeman**

ACTIVITY EXPANDED on the Eurobond new issue market yesterday, with a series of US dollar deals relying heavily on Japanese interest.

Nomura launched a $200m two-year deal for Toyota Motor Finance (Netherlands). The bonds came with a 10¼ per cent coupon and were priced at 100.95 to yield some 58 basis points over the equivalent US Treasury. A drift in the Treasury market saw the launch spread tighten to around 57 basis points.

Demand for two-year paper was patchy, with plenty of bonds remaining in the market after earlier deals from Du Pont, General Electric and Chevron. Toyota's issue, which carried a keep-well agreement with the parent company, was priced to offer a yield pick-up over these deals. It had an average reception and, according to the lead manager, traded just outside underwriting fees for most of the day, before closing on fees at less 1¼ bid.

Some co-managers said they had had difficulty placing their bonds, but there was no criticism of the pricing which was described as fair. A Nomura official expressed satisfaction with the deal and said that over three quarters of the bonds had been sold. Investment trusts in Tokyo were reported as heavy buyers, while there was some institutional interest in Europe.

The proceeds were swapped into floating-rate dollars by Prudential-Bache, but neither house would comment on speculation that a further swap was done into another currency. Swap traders said the likely funding rate in floating-rate dollars was around 40 basis points below Libor.

The dollar sector was tapped at the long end by Japan Finance Corporation, which brought a $150m issue via IBJ International. The 10-year bonds carried a 9⅞ per cent coupon and were priced at 101.50 to yield some 54 basis points over Treasuries. The launch spread later narrowed to around 51 basis points.

The deal was announced in Tokyo overnight before pricing in London. The lead manager thus had the certainty of some Japanese institutional demand for the bonds.

An IBJ official said the deal had been well placed and quoted the paper at less 2 bid, a discount equivalent to full underwriting fees. Some co-managers were sceptical and said there had been considerable selling into the lead manager's support bid.

There was switching into the deal out of existing 10-year bonds, particularly recent issues by Eximbank, EIB and Italy. Eximbank 9¼ per cent 1999 bonds were trading at around 40 basis points over Treasuries. The proceeds were swapped into floating-rate US dollars by Merrill Lynch and then into fixed-rate yen by IBJ International.

The four equity warrant deals launched yesterday had typical receptions, all trading comfortably within fees. A $700m issue for Mitsubishi Estate brought by Nikko Securities met strong demand and was quoted by the lead manager at 102¼ bid, a fine premium to the par issue price.

This rather over-shadowed the other deals, with a $150m issue for Ushio trading at 98⅞ bid, according to Daiwa, and Hoya's $150m deal quoted at 99⅞ bid by Nomura, the lead manager. Okamoto Industries' $100m issue brought by Yamaichi was trading at a healthy premium at 101 bid.

The Canadian dollar sector was tapped by McDonald's Restaurants of Canada. RBC Dominion Securities was the lead manager of the C$100m deal which carried an 11½ per cent coupon and was priced at 101⅞ to yield 52 basis points over Canadian government bonds.

The borrower had been talking about a swap-driven deal to several houses for some time, but it is understood that when the issue was finally launched the proceeds were unswapped. The pricing was described by new issue traders as fair.

Syndication was on a take and pay basis. The lead manager reported good institutional interest from Canada, as well as predictable retail interest in Europe. Swiss investors remained notably absent from the sector, which was seen as risky on currency grounds.

In Switzerland, Crédit Suisse was the lead manager of an unusual SFr200m five-year convertible issue for Advantest. The par-priced bonds came with a fixed coupon of 1 per cent and a put option at par after four years. The bonds were trading around less 1¼ bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Finance(e)◆	200	10¼	100.95	1991	1⅛/⅝	Nomura Int.
Japan Finance Corp.(e)◆	150	9⅞	101½	1999	2/1⅞	IBJ International
Mitsubishi Estate Co.‡	700	(5⅛)	100	1994	2¼/1½	Nikko Secs. (Europe)
Hoya Corp.‡	150	(4⅝)	100	1993	2¼/1½	Nomura Int.
Ushio Inc.‡	150	(5¼)	100	1994	2¼/1½	Daiwa Europe
Okamoto Industries‡	100	(4⅝)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Final terms fixed on:						
Showa Denko(a)‡◆	500	4⅛	100	1993	2¼/1½	Nomura Int.
Mori Seiki(b)‡◆	100	4⅞	100	1993	2¼/1½	Yamaichi Int. (Europe)
CANADIAN DOLLARS						
McDonald's Rest.Canada(e)◆	100	11½	101⅞	1994	1⅞/1¼	RBC-Dominion Secs.
AUSTRALIAN DOLLARS						
Council of Europe(e)◆	50	17	101⅞	1990	1/⅝	Commerzbank
NEW ZEALAND DOLLARS						
GMAC Australia Finance(e)◆	50	14	102	1992	1½/1	Hambros Bank
SWISS FRANCS						
Advantest Corp.(c)§★★	200	1	100	1994	n/a	Credit Suisse
Miura Co.(d)§★★	60	(½)	100	1994	n/a	Nomura Bank(Switzerland)

★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Coupon cut by ⅜% from indication. b) Coupon cut by ¼% from indication. c) Put option 31/3/93 at 100. Coupon fixed at 1%. d) Indicated put option 30/4/92 at 105½ to yield 2.277%. e) Non-callable.

Indosuez to acquire OMF stake as Matif feud ends

By **George Graham** in Paris

OMF, THE privately controlled French futures and options market, is to open its capital to more investors following its unofficial peace pact last week with the main Matif futures market.

Banque Indosuez, the leading French investment bank, confirmed yesterday it would be taking a stake in OMF, and other banks are expected to join in shortly.

OMF was originally launched by Crédit Commercial de France (CCF), the privatised commercial bank, along with OM, the Swedish originator of its electronic market technology, and Finacor, the leading French money broker.

The initial group of investors was joined in May last year by three more of France's largest banks – the state-owned Banque Nationale de Paris (BNP), Paribas and Société Générale, the two privatised banks.

OMF and Matif agreed last week to pool their resources on a new futures contract based on the BTAN five-year Treasury bill, with OMF running the market and Matif organising financial transfers.

BBL to buy holdings in brokers

By **William Dawkins** in Brussels

BANQUE Bruxelles Lambert (BBL), the second largest bank in Belgium, is to buy a majority stake in three local stockbrokers, the latest evidence of the reforms sweeping the Brussels Stock Exchange.

BBL is taking advantage of a draft law paving the way for stockbroking firms to be opened to outside control. It is buying stakes in Marcel Vermeulen & Fils, the sixth largest operator on the Brussels exchange; SCS Masset, Vermeulen; and J.L. Raemdonck van Megrode.

BBL said the three firms were to be merged to form what would be the fourth or fifth biggest stockbroking business in Brussels. They will trade in shares, corporate and government bonds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday April 4 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Apr 3 Index No.	Fri Mar 31 Index No.	Thu Mar 30 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	949.95	+0.4	10.33	3.96	11.90	7.22	946.12	949.94	941.31	738.39
2 Building Materials (29)	1223.01	+1.7	10.78	3.83	11.42	3.92	1202.33	1197.78	1187.82	991.69
3 Contracting, Construction (38)	1739.50	+0.3	11.98	3.78	10.92	14.65	1734.55	1744.34	1739.82	1533.77
4 Electricals (10)	2751.57	-0.1	8.19	4.36	15.82	2.99	2754.62	2793.33	2751.87	1958.02
5 Electronics (30)	2116.51	-0.1	8.92	3.16	14.53	12.62	2119.34	2117.35	2093.69	1452.83
6 Mechanical Engineering (54)	511.50	+1.0	10.14	3.95	12.04	4.94	506.50	510.33	505.83	388.93
8 Metals and Metal Forming (7)	535.56	-0.1	14.33	5.56	7.89	0.00	536.25	539.15	534.92	438.93
9 Motors (17)	309.44	+0.6	11.72	4.84	9.93	4.05	307.61	310.16	307.89	259.79
10 Other Industrial Materials (22)	1584.54	-0.7	9.28	4.25	12.82	21.63	1596.38	1613.41	1596.50	1211.70
21 CONSUMER GROUP (186)	1177.85	+0.1	8.94	3.66	14.00	5.74	1176.57	1171.61	1161.21	1020.04
22 Brewers and Distillers (22)	1274.95	-0.3	9.80	3.49	12.89	5.36	1278.39	1277.11	1264.10	1044.46
25 Food Manufacturing (20)	1021.25	+0.3	9.34	3.99	13.34	10.15	1018.28	1026.97	1016.18	803.09
26 Food Retailing (15)	2026.78	+1.2	8.95	3.46	14.71	8.97	2003.11	1994.35	1971.72	2025.36
27 Health and Household (14)	2237.57	+0.3	6.34	2.59	18.05	7.33	2230.10	2175.54	2148.12	1762.64
29 Leisure (33)	1614.96	—	7.49	3.31	16.80	13.42	1614.89	1621.18	1602.18	1238.01
31 Packaging & Paper (16)	585.49	-0.9	10.07	4.11	12.13	5.04	590.57	596.16	592.95	474.74
32 Publishing & Printing (18)	3675.47	-0.9	8.74	4.36	14.32	5.06	3709.12	3687.96	3684.34	3315.19
34 Stores (33)	764.21	+0.1	11.39	4.59	11.51	1.75	763.60	761.49	760.09	796.79
35 Textiles (15)	518.32	+0.2	11.97	5.42	10.14	0.38	517.34	518.92	514.15	552.75
40 OTHER GROUPS (94)	1077.69	—	10.93	4.18	12.15	8.37	1078.10	1073.47	1056.32	849.10
41 Agencies (18)	1268.00	-0.5	8.40	2.67	15.23	12.34	1274.14	1270.67	1247.49	1112.40
42 Chemicals (22)	1224.32	-0.1	10.90	4.80	11.02	21.10	1225.50	1215.67	1206.11	971.71
43 Conglomerates (11)	1521.80	—	10.04	4.01	11.52	4.76	1521.30	1513.11	1499.35	1125.86
45 Transport (13)	2380.81	+0.2	8.35	3.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	84	13	12
Corporations, Dominion and Foreign Bonds	12	16	16
Industrials	380	416	776
Financial and Properties	168	141	351
Oils	21	37	40
Plantations	0	0	12
Mines	21	75	87
Others	47	110	80
Totals	733	808	1,374

LONDON RECENT ISSUES

EQUITIES

LONDON TRADED OPTIONS

GEC, which is involved in talks with CGE of France over collaboration between the two, stole the honours on the London Traded Options Market yesterday, attracting 3,223 call contracts and no puts. Overall market business was modest, on 37,191 contracts total, made up of 22,782 calls and 14,409 puts.

The business in GEC took place against the background of an underlying share, which showed no net movement on the day, ending at 235p.

The April 240 calls attracted the most attention, with 1,520 contracts traded.

It was by and large a day of little analysts' definition in the broad sense, although individual stocks were touched by their views. The FT-SE 100 index showed a gain of 3.2 points on the day to 2,082.8, having touched a high point in the morning of 2,092.7 as early weakness in sterling found defence from the Bank of England, the Group of Seven statement over the weekend and from the Chancellor of the Exchequer.

British Gas saw some activity on what was in general a quiet day, attracting 3,041 contracts, of which only 90 were calls and 2,551 were put. The share price fell 2p on the underlying market, to 177p, with the extraordinary amounts traded of 1,150 in the June 180 puts, and 1,500 in the December 180 puts.

Beecham, the market leader of the previous day, was again prominently traded, finding 1,725 contracts, consisting of 1,562 calls and 163 puts, against the background of the talks with SmithKline of the US.

British Telecom saw 1,403 contracts, lying in 402 calls and 1,001 puts, with most of the interest in the May 280 and August 260 puts, each of which saw 350 contracts.

The London International Financial Futures Exchange continued to offer an upward drag on the underlying market, as reverberations of central bank intervention in the foreign exchange market and the recent strength of the dollar was digested.

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*450)	420	31	44	58	1½	9	13
	460	4	20	35	14	27	31
Brit. Airways (*201)	180	22	27	32	½	5	6
	200	5	14	20	4½	13	14
	220	1	6	11	20	27	28
Brit Com (*206)	200	11	22	28	3	8	11
	220	2	11	16	15	20	22
	240	1	4	10	35	38	40
Beecham (*620)	600	–	52	72	–	23	30
	650	–	28	47	–	48	55
Boots	260	20	31	38	½	7½	12

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Storehouse (*177)	160	18	25	29	1	5	8
	180	3	15	19	7	17	19
	200	1	7	12	24	30	33
Trafalgar (*374)	360	18	28	40	4	13	16
	390	2	13	24	18	30	32
Utd. Biscuits (*320)	300	21	31	42	¼	11	13
	330	2½	16	26	14	24	27
	360	1	8	15	42	46	46
Unilever (*532)	500	–	53	75	–	8	11
	550	–	25	42	–	27	28

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Racal (*392)	330	67	75	93	2	7	10
	360	42	54	71	5	13	17
	390	19	36	51	13	22	27
R.T.Z. (*530)	460	78	93	–	2	7	–
	500	45	62	77	10	17	23
	550	14	35	47	32	38	40
Scot. & New (*313)	300	25	33	41	11	19	24
	330	10½	20	26	24	35	43
Tesco (*160)	130	32	34	–	1	1½	–
	140	22	24	30	2	4	5
	160	5½	11	15	6½	9	12

TRADITIONAL OPTIONS

- First Dealings Mar 20
- Last Dealings Apr 7
- Last Declarations Jun 29
- For settlement Jul 10

For rate indications see end of London Share Service

Calls in Dixons, Caspen Oil, Poddington, Folkes non-voting, Ramar Textiles, Medirace, Edmond Holdings, Apricot Computers, Unigate, Pentland Industries, First Leisure, Consolidated Tern Invs. and Midland & Scottish Resources. A double was done in Dixons.

City praises 'imaginative' final shot in defence against Minorco bid

Gold Fields makes earnings growth pledge

By Kenneth Gooding, Mining Correspondent

"IT IS A lovely idea and will get well-deserved and good publicity for innovation and imagination," said Mr Christopher Spreckley, an analyst with CL-Alexanders Laing & Cruickshank, of the latest ploy introduced to the takeover game by Consolidated Gold Fields yesterday.

"But," he added quickly, "it will not be enough to stop people accepting if Minorco comes up with a higher offer."

His views were echoed by other analysts who have been following the seemingly never-ending saga of Minorco's £3.2bn bid for Gold Fields.

They give Gold Fields full marks for innovation for introducing what the group describes as a unique performance pledge in the document which contains the final shots in the defence's battle.

The pledge guarantees Gold Fields' shareholders either 400p cumulative earnings per share before sales of operations over the next three years (implying average annual compound growth of more than 20 per cent) or a special cash dividend of £6 gross a share if the target is not met.

Perhaps more importantly, all future executive incentive arrangements for Gold Fields' central management will be tied to the achievement of this earnings per share target. In effect, all cash bonuses and share options would be frozen unless the target was met.

The incentive scheme will apply to about 12 executives throughout Gold Fields' central management and its wholly-owned subsidiaries who at the moment win bonuses based on return on assets criteria rather than earnings per share.

Bonuses have been up to 30 per cent of gross annual salary for the central directors but can be very much higher for those outside.

The "unique" pledge is carried by special preferred shares which would be issued to existing ordinary shareholders on a one-for-one basis in 1992. The board would lose flexibility of action if they were issued ahead of that date, Mr Rudolph Agnew, Gold Fields chairman, suggested.

Sir Michael Edwardes, left, chief executive of Minorco and Rudolph Agnew, Gold Fields' chairman

Mr Roger Philimore, Minorco's commercial director, said the "elaborate device" involving the preferred shares "does not add up to a row of beans". The target was "unsubstantiated and unsupported. No effort has been made to persuade shareholders that it is achievable. It amounts to the the Gold Fields directors saying to their shareholders: Trust us".

Analysts agreed that the "performance pledge" added nothing to the value of Gold Fields' shares or its net asset value – they have produced estimates about the latter ranging from £15 to £20 a share.

But they suggested that it would put a higher floor under the Gold Fields price if the bid lapsed. "The downside has improved from £12 to £13 now," said Mr Jack Jones of UBS Phillips & Drew.

They were also in no doubt that Minorco would have to raise its bid by at least £2 from the present level to about £15.50 to have any chance of succeeding. Some expected an announcement to that effect by next Monday at the latest.

See Lex

Throgmorton rides net asset value attack

By Nikki Tait

A DISPUTE broke out yesterday at the annual meeting of Throgmorton Trust, a £300m investment trust, over the company's published net asset value.

A barrage of questions from Mr Philip Darwin – who is a non-executive director of stockbrokers Laurence Prust but stressed he was speaking as a private shareholder – attacked the valuation at end-November of 535.2p per share given in the report. Throgmorton, forewarned of the questions, returned a steady stream of explanations.

Mr Darwin made his complaints on a number of separate grounds – some of which had to do with valuation of holdings in two unquoted companies, where a degree of subjectivity is inevitably involved. After the meeting, however, he suggested that the published figure for net asset per share might possibly be overvalued to the tune of 75p.

The first objection rested on that fact that the figure given allowed for the full conversion of certain loan stock, but made no allowance for the exercise of warrants – which, given the terms of both, was "illogical", said Mr Darwin. Full dilution, he suggested, would make a difference of at least 18p.

Throgmorton replied that it had been guided by the system used by the consortium of investment trust brokers. It added that the facts had been given in the accounts but accepted that shareholders "did have to search". It said it would be happy to provide fully-diluted figures next year.

Mr Darwin's second complaint rested on the provision of £500,000 for the premium on redemption of convertible loan stock of its Fifth Throgmorton subsidiary – arguing that the figure should be higher. Fifth Throgmorton was the vehicle used, in a complex and somewhat bitter battle last year, to acquire the Framlington fund management business. The stock, issued as consideration, is remdeemable in 1993.

To this, Mr Bob Seabrook, chairman, said that the situation would be reviewed annually.

However, Mr Darwin went on to criticise what he alleged were "over-[illegible] valuations of Framlington and [illegible] Properties, the [illegible] non-consolidated [illegible] in the accounts.

Non-consolidated investments accounted for 30 per cent of the company's total investments. Mr Darwin cited valuations of a number of other companies in similar sectors to buttress his claim.

However, the company denied any overvaluation, claiming that both valuations had been arrived at after lengthy discussion with Spicer & Oppenheim, the trusts' auditors.

Despite the queries raised by Mr Darwin, all motions put to the meeting, including the re-election of certain directors and the auditors, were yesterday passed on a show of hands. At the following extraordinary meeting – when Mr Darwin again rose – the two motions were also passed.

WH Smith sights cash offer for Molinare Visions

By Ray Bashford

WH SMITH, the retail and distribution group, is considering making an offer for the 49 per cent of Molinare Visions, the film and video production company, it does not already own.

Directors of WH Smith said they are planning a cash offer. This is likely to be "not materially in excess of market prices in recent days," they said.

The troubled production company's shares slipped 1p yesterday to close at 25p.

At this price the company is capitalised at £6.85m.

Discussions are being sought with Molinare directors in an attempt to obtain a recommendation for the offer.

Molinare is seen as having the potential to play an increasing role in its satellite and cable television operations. These would make use of its technical expertise in programming and post production facilities.

WH Smith acquired its 51 per cent holding in June 1987 at 50p a share - which valued the holding at £7m - after Molinare hit financial difficulties.

Previously unknown losses totalling £2.7m were discovered and a series of acquisitions during 1986 also weakened the company's balance sheet.

The company made a pre-tax profit of £160,000 in the 17 months to May last year.

However, in the six months to last November, the company returned a pre-tax loss of £65,000 after making Mr Brian Wiseman, a former chief executive, a payment of £162,000.

British Alcan rises to £54m

By Kenneth Gooding, Mining Correspondent

HIGH METAL prices and a buoyant European economy helped to boost the taxable profits of British Alcan Aluminium, a wholly-owned subsidiary of Alcan, the Canadian group, by 42 per cent from £38.1m in 1987 to £54.2m last year.

A major cost-reduction programme, increased productivity and improved manpower utilisation also contributed to the improved results, said Lord Peyton, the chairman. These programmes will continue in 1989 and beyond, he added.

Lord Peyton said the current year had started well but there were some areas of concern. High interest rates were reducing demand from the home improvement and double-glazing markets, for example.

British Alcan's production of aluminium of all types rose from 301,000 tonnes to 323,000 tonnes last year. Turnover was up from £676.8m to £778.5m. Operating profit increased from £51.9m to £68.8m.

Lord Peyton pointed out that the company boosted return on capital employed from 12.3 per cent to 15 per cent and kept up a high rate of capital investment – lifted from 49.4m to £56m last year – as well as research and development expenditure – up from £9m to £11m.

British Alcan paid out £7m last year in early retirement and redundancy payments. These arose partly from the closure of factories at Stratford in East London (aluminium for containers) and at Merton near London (wire and cable) whose operations were transfered elsewhere.

However, at the year-end the average number employed by British Alcan increased from 10,814 to 11,061 because of the acquisition of the Gelpack plastic packaging group.

Coloroll's programme of disposals nears an end

By Clay Harris

COLOROLL GROUP, the textiles and home furnishings company, is to raise A$34.6m (£16.5m) in cash through the disposal of a majority holding in its Australian carpet interests.

The proceeds for the stakes in Homfray and Hycraft include borrowings to be repaid by the purchaser, a management-led team. In addition to cash, Coloroll will receive a £3.6m interest-bearing subordinated note and retain a 26 per cent stake in voting stock.

The deal brings to £130m the proceeds from selling parts of John Crowther Group, the textile company it bought for £207m last year.

The disposal programme took another step towards completion yesterday when Coloroll said it had received an approach for Brinkman, a leading US distributor of floorcoverings, and had appointed Goldman Sachs to advise on a possible sale.

Mr John Ashcroft, Coloroll chairman, said the sale of Brinkman was expected to recoup $40m to $50m (£23.5m-£29.5m).

If this deal goes through, Coloroll will retain only Crowther's Kosset and Crossley carpet manufacturing operations and MCD, a UK distribution company, bought at a net cost of about £50m.

Brammer unveils 16.8% rise in profits to £13.4m

By Vanessa Houlder

EARLY SYMPTOMS of economic uncertainty emerged yesterday when Brammer, the industrial service group, reported marginally lower-than-expected demand in its bearings distribution business.

"There are signs of caution in the market place. People are deferring certain expenditure," said Rob Ffoulkes-Jones, chief executive.

However, the company added that its current trading performance was at least matching that of last year. In spite of the uncertain economic background, it expected to report higher profits for 1989.

Brammer yesterday unveiled pre-tax profits up 16.8 per cent to £13.4m (£11.5m) for 1988. Turnover increased by 14.6 per cent to £112.0m (£97.7m).

The rental business, which had difficult years in 1986 and 1987, had a better year overall. However its operations in France and Germany suffered a downturn.

The company has changed its accounting policy on computer software and equipment for hire in an attempt to improve utilisation rates, which had remained constant.

Instead of depreciating assets each year, computer software spending will be written off as incurred and equipment for hire will be [illegible] the balance sheet [illegible].

The company said it planned to sell the last of its manufacturing businesses. It had responded positively to an approach for Pope Machinery and Pope Precision Rotors.

Net borrowing was 9.7 per cent of shareholders' funds. Earnings per share increased by 13.8 per cent to 20.6p (18.1p). A final dividend of 8.5p (8.0p) was proposed, making a total of 13.0p (12.5p).

● COMMENT

Patience has long been a virtue of Brammer's shareholders, whose rejection of a 420p-per-share bid approach four years ago was followed by two years of falling profits. And, although these results were encouraging, they seem, yet again, to promise jam tomorrow rather than today. For this year, Brammer faces a number of challenges. It needs, for example, to consolidate its expanded US pump distribution business, to sort out the teething problems in its European rental businesses and to encourage better management of its rental inventories. On the upside, however, it has a secure, broadly-based business with a well-developed European network that should put it in a genuinely strong position for 1992. Concerns about economic uncertainty should not be overdone at this stage and analysts believe the company should make profits of [illegible] this year. That puts the shares, which fell 10p to 277p, on a multiple of 12.5. This apparently demanding rating is supported by a generous prospective yield of 6.5.

Garfunkels provides boost as Belhaven hits £8m

BELHAVEN, the restaurant group which recently sold its brewing business to Control Securities, yesterday announced pre-tax profits of £8.05m for 1988 compared with £6.91m in the previous nine month period, writes Lisa Wood.

Turnover amounted to £63.29m (£42.78m) with Garfunkels, the 111-strong restaurant chain, contributing £52.71m (£32.6m) and Belhaven brewery £8.71m (£8.7m).

Overall operating profits of £7.85m (£6.41m) included a contribution of £8.1m (£5.56m) from Garfunkels. Belhaven brewery, however, made an operating loss of £21,000 (profits of £914,000).

Belhaven sold its brewery to Mr Nazmu Virani's Control Securities last December for 12.5m Control shares. These were sold in March for £7.5m.

Extraordinary items of £1.42m (£44,000) included £523,000 relating to compensation paid to Mr Raymond Miquel, who quit the business last year, and associated costs of management re-organisation. A further £1m was written-off on losses and costs from the disposal of the brewery and £66,000 on an abortive acquisition.

Earnings per share were 2.91p compared with 2.59p and a proposed final dividend of 0.65p brings the total dividend for the year to 1.1p (0.75p).

Hornby on the fast track

Having beaten its targets in all respects, Hornby Group, the toy and hobby product maker, reported an increase in pre-tax profit of 31 per cent for 1988, from £1.83m to £2.4m.

Mr Jack Strowger, chairman, said the USM quoted company's brand leaders, Scalextric, Hornby Railways, Pound Puppies, and Thomas the Tank Engine, continued to sell well throughout the year and achieved a high level in the Christmas period.

The chairman went on to report that demand in the current year was strong. Order intake for the first quarter was more than satisfactory and above last year for both Hornby and Fletcher (acquired last November).

Liquidity remained strong. Cash balances at the year-end were £4.8m (£4m) after the Fletcher purchase.

Turnover in 1988 rose from £20.1m to £23.42m, with the operating profit at £2.44m (£1.91m). Earnings came though at 18.2p (13.8p) and the dividend is lifted from 4p to 5.25p.

Merlin Intl to abandon its Australian interests

By Paul Cheeseright, Property Correspondent

MERLIN International, the property company specialising in retail centres, is effectively abandoning its Australian development programme.

This signals a scaling down of the ambitions which led Merlin in 1987 into a triangular relationship with the Hayson interests in Australia and the Enterprise Development Company in the US.

In future Merlin will be concentrating on the British market, where it has significant development plans in Glasgow, Manchester and Birmingham.

The implication that Merlin had been forced to sell its Australian development interests because it is overstretched led the stock market yesterday to take 21p off the share price, leaving it to close at 121p.

Merlin yesterday announced that in the half year to December 1988, it incurred a pre-tax loss of £2.47m, although Mr Durseley Stott, the chairman, added that project sales planned for the second half meant that the company should be judged on its full year performance.

The main reason for the slide into loss was a sharp increase in expenses to £17.06m from £1.8m in the 1987 first half.

Merlin is selling its Australian development projects and car park interests to the privately-owned Hayson group for total cash of £30.5m spread out over three years, from which Merlin will make a net profit of £10.3m.

Apart from releasing resources to concentrate on the UK market, the sale will reduce Merlin's gearing and remove the need to go to shareholders for more capital. At its last year end, Merlin had gearing of 150 per cent. Mr Stott suggested that gearing could come down to 75 per cent.

Merlin is not cutting its links with Australia. The Hayson family will continue to be represented on the board and the company is retaining its stake in the Darling Harbour, Sydney, retail development.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alexandra Wkfwr ....fin	2.55	May 25	2.1	3.9	3.2
Belhaven ....fin	0.65	June 9	0.3	1.1	0.75☆
Boustead ....fin	0.6†	–	0.4	1.1	0.5
Brammer ....fin	8.5	July 1	8	13	12.5
ERA Group ....fin	1.75	–	1.5	2.75	2.5
Geers Gross ....fin	1	July 4	nil	1	nil
Hornby Group § ....fin	5.25	May 25	4	5.25	4
Johnston Group ....fin	8.5	–	7	11.5	10
Ldn Strathclyde ....int	1.25	May 26	1.1	–	3.7
Meggitt ....fin	1.85†	June 9	1.5	2.75	2.25
Metal Closures ....fin	6.8☆	–	5.2	8.15	7.4
MTM ....fin	2.4†	–	2	3.5	3
NB Canadian ....fin	6.3	July 3	5.6	9	8.1
Shandwick ....int	2.67	–	2	–	7.5
Silentnight ....fin	4.75	–	3.5	7	5.25
Swallowfield § ....fin	3	May 17	–	3	–
T & S Stores ....fin	1.625	May 26	1.3	2.625	2.1
TT Group ....fin	4	–	3	6	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆For nine months. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

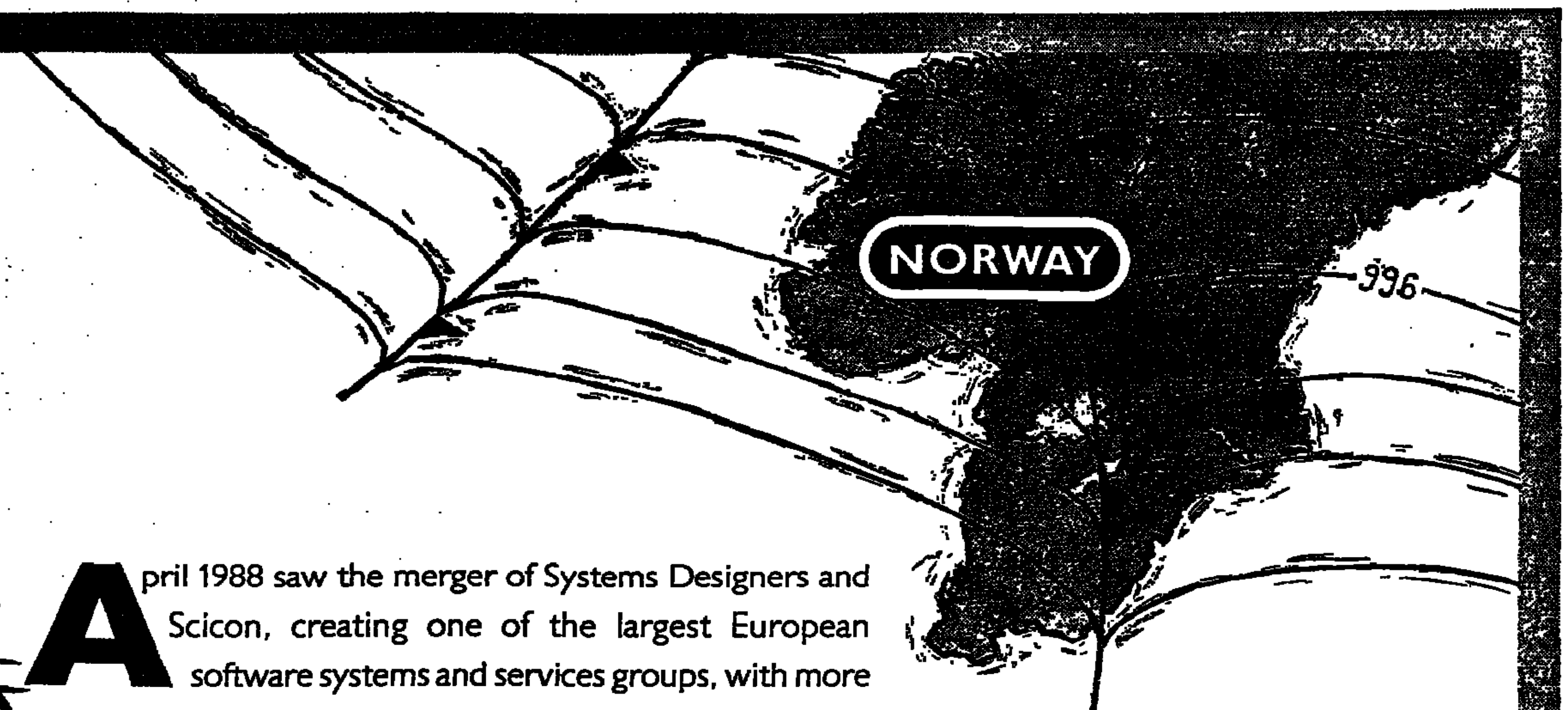
Interims- Alva Inv, Beckman (A), Kingston Oil & Gas.

Finals- ATA Selection, British Dredging, Dagenham Motors, Dewey Warren, Jacob (W & R), Jerome (S), Lec Refrigeration, MB Cash & Carry, Ocean Transport & Trading, Quarto, Rockwood, Sun Alliance & London Insurance, Wilson (Connolly).

FUTURE DATES

Interims-

Lloyds Chemists	Apr. 17
Prestwick	Apr. 17
Sanderson Electronics	May. 2
Stanhope Properties	Apr. 17
Finals-	
Accord Publications	Apr. 10
Asda Property	Apr. 10
Beacon	Apr. 13
Bentalls	Apr. 13
Breedon	Apr. 7
Brixton Estates	Apr. 26
Cannon Street Invs	Apr. 12
Computer People	Apr. 10
Erith	Apr. 11
F & C Pacific Inv Trust	Apr. 13
Frost	Apr. 19
Hay (Norman)	Apr. 12
Needlers	Apr. 12
PML	Apr. 14



The contract for the Norwegian Meteorological Message Switch was the fifth national meteorological system recently won in Europe, reinforcing SD-Scicon's position as a leading European supplier.

RESPOND is the RAC's new Computerised Customer Support System. The first phase, run from our UK Data Centre, is just one of a number of facilities management contracts won in 1988.

April 1988 saw the merger of Systems Designers and Scicon, creating one of the largest European software systems and services groups, with more than five thousand staff in over fifty offices worldwide.

Now, barely a year later, the combined strengths and complementary skills of our staff have been fully integrated, resulting in a major force in our industry.

Our operations span six major market sectors: communications, finance, energy, industry, defence and aerospace and civil government. Each sector is supported by leading-edge technology research in key areas.

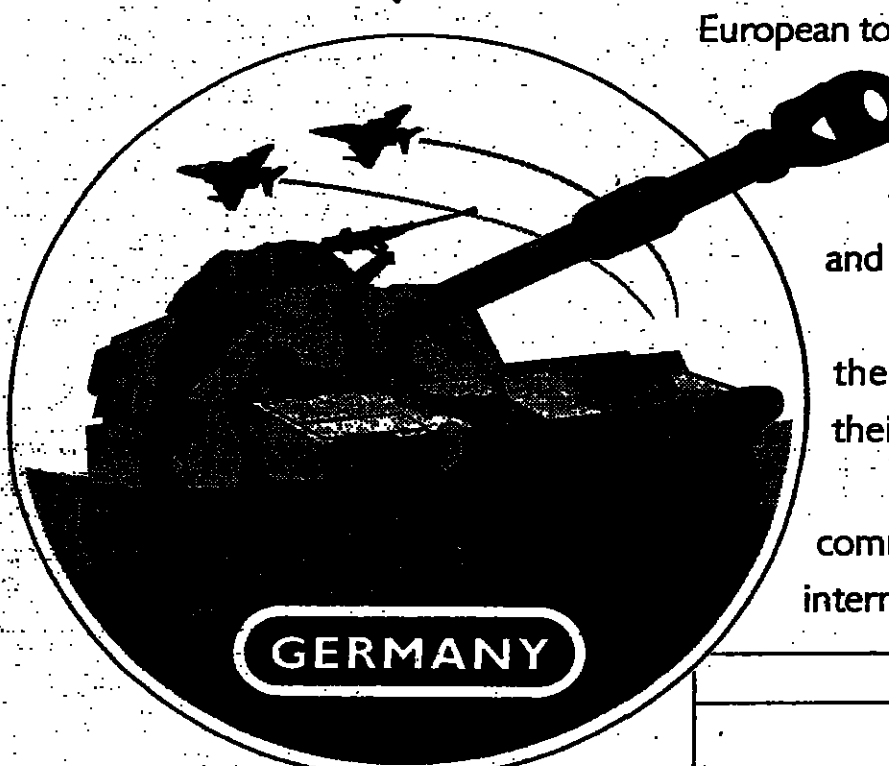
Last year nearly three quarters of our turnover came from Europe, with sales from our French and German companies contributing over half of this European total.

With the approach of the Single European Market in 1992, we are well placed to meet the challenge of servicing the needs of our present and future clients.

And in the USA our specialist companies servicing the financial and automotive sectors have maintained their strong market positions.

But whatever the areas of operations, our total commitment to quality of product, excellence of service and international strength underlines our strategy for the future.

In partnership with Bull, the major French owned computer manufacturer, we are developing the reservation and administration systems for the new Opéra Bastille in Paris, to be inaugurated during this year's celebrations of the Bicentenary of the French Revolution.



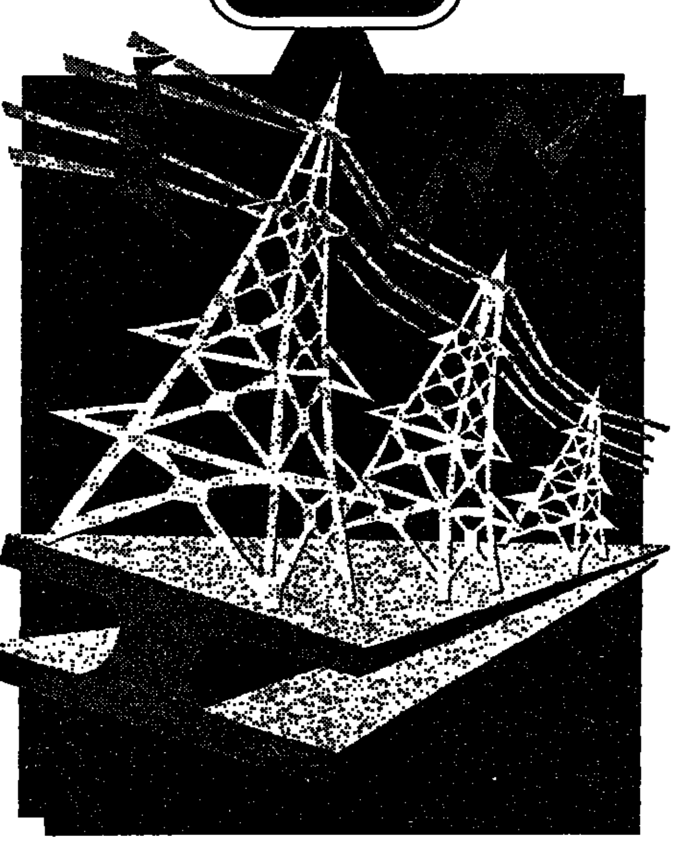
Project JASMIN, a study of the German sub-system within NATO's Battlefield Information Collection and Exploitation System.

FINANCIAL HIGHLIGHTS

	1988 £'000	1987 £'000
Turnover	**221,565**	83,644
Operating Profit	**15,386**	8,367
Profit Before Tax	**13,354**	7,363
Earnings Per Ordinary Share	**4.01p**	3.84p
Dividends Per Ordinary Share	**0.75p**	0.65p

Extract from the Accounts for the year ended 31st December 1988 which contain an unqualified audit report and which have not yet been filed with the Registrar of Companies. Earnings per share have been adjusted to take account of the rights issue in April 1988. The past is not necessarily a guide to the future.

Our 1988 Annual Report will be published in mid April. For a copy, please contact the Company Secretary, SD-Scicon plc, Centrum House, 101–103 Fleet Road, Fleet, Hampshire GU13 8NZ.



In Spain, one of Europe's fastest growing industrial economies, we have established a strong position in capital plant maintenance systems with five contracts in 1988 in the steelmaking, oil and electricity industries.

It all adds up to a successful year.

SD SCICON

SD-SCICON PLC

The contents of this advertisement, for which the directors of SD-Scicon plc are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry out investment business.

UK COMPANY NEWS

Elders High Court battle to block the creation of Europe's largest packaging group

MB Group fights for £830m merger

By Raymond Hughes, Law Courts Correspondent

MB Group yesterday asked the High Court to sanction the proposed £830m merger between Metalbox Packaging, its packaging subsidiary and Carnaud, the French packaging company.

The Anglo-French merger under which a new company, CMB Packaging, would become Europe's' largest packaging group, should have taken effect on Saturday.

However it has been blocked by Elders Investments, a subsidiary of Mr John Elliott's Elders IXL brewing, farming and finance group, which holds five per cent of MB's ordinary shares and 25.06 per cent of MB's warrants which entitle it to buy another 1.2 per cent of the shares.

Although Elders is a rejected suitor - its earlier attempts to buy the packaging division having been firmly refused by MB's board - its current motives for trying to block the merger remain unclear, as it is no longer trying to buy the packaging interests. It seems to be chiefly concerned that the deal will not give sufficient value to shareholders, an argument which MB is anxiously trying to refute.

Mr Richard Sykes, QC, for MB, urged Mr Justice Harman to disregard Elders' objections that the scheme deprived it of its legal rights as a warrant holder.

Mr Sykes said that the overall effect of the scheme would be that MB's shareholders would end up owning 100 per cent of its non-packaging activities in a new MB company, *and an interest in the merged* packaging business.

During his opening of the case Mr Richard Sykes said to *the judge*: "You might ask, what is Elders up to ?"

Mr Justice Harman: "Pursuing its own interests, I assume - ie, making money. Is that not a proper and ordinary avocation of all reasonable people ?"

Mr Sykes: "Well, of investors."

The judge: "Dr Johnson said a man is never so innocently employed as when *he is making* money. Well, *that is* right."

(Dr Johnson: "There are few ways in which a man can be more innocently employed than in getting money.").

It had been approved by an overwhelming majority at ashareholders meeting on February 24.

Mr Sykes *said that*, as proposals to warrant holders had to be approved by a 75 percent majority, Elders had a blocking minority holding, about half of which it had acquired after the posting of the scheme document in January so as to defeat a proposal to be put to warrant holders under the scheme.

That proposal was that the holders could either exercise *their* warrants early at a reduced price or exchange them for warants in new MB Group.

At a warrant holders' meeting on February 15 the proposal was defeated, even though over 99 percent of the votes, other than Elders', were cast in its favour.

"The company was naturally *concerned both that the* scheme it considered to be in the interests of the ordinary shareholders should not be jeopardised, and also that holders of warrants should not be boxed-in because of the attitude of Elders," Mr Sykes said.

It put forward new proposals, offering similar terms, but not conditional on the passing of any resolution.

The present position was *that 8,966,701 of the 16.6m* warrants had been exercised, the holders of 1,526,413 had accepted the exchange offer and 1,941,066 warrants had been purchased by MB.

Mr Sykes *said that* the warrant contracts contained a number of covenants. One was that MB would keep available sufficient unissued ordinary shares to enable warrant holders' *rights to be satisfied*. Another was that the company would use its best endeavours *to maintain* a listing *for* its ordinary shares on the Stock Exchange.

The passing of the resolution at the February 24 meeting breached the first covenant since all the unissued ordinary shares had been cancelled *forthwith.*

If the scheme became effective the second covenant also would be breached.

Mr Sykes said that Elders had acted differently at different stages. First it had bought about five percent of MB's ordinary shares in a covert operation through a string of overseas companies.

After the scheme document had been posted it had bought more warrants.

It had then found some partners and made a proposal to buy MB's packaging division - which had been decisively rejected by MB's board.

Elders currently opposed the scheme on the ground that the scheme document did not provide shareholders with necessary information and that shareholders had *not* been *properly informed* about the new proposals to warrant holders and the effect of the breaches of covenants.

Mr Sykes contended that the scheme document contained all necessary information and that it had not been necessary to give shareholders more information than they had received about the warrant proposals.

He said that Elders' complaint should not be taken seriously because it had not been made before the shareholders' meeting.

Its complaint as a warrant holder also was unfounded. There had been an irremediable breach of the warrant holders contract covenant, but a breach of contract with a third party was not necessarily a reason for refusing to sanction a scheme, Mr Sykes contended.

Mr Justice Harman commented that he was uncertain about that.

John Elliott: Elders holds 25.06 per cent of MB warrants

Mr Sykes said that in the circumstances the scheme *should be sanctioned*. The fundamental breach had already occurred and the proposals to warrant holders had been defeated only because Elders had bought warrants to achieve that result.

"MB has put in place new proposals to protect warrant holders and enable them to enjoy the same benefits as originally offered to them. If has also offered to purchase warrants so that holders do not suffer."

It had offered to pay compensation and was ready to undertake to the court to do so. In the case of someone like Elders "monetary compensation is fair," Mr Sykes argued.

The hearing continues today.

Metal Closures improves 12% to £7.64m

By John Ridding

PRE-TAX profits at Metal Closures Group, the packaging and printing company, rose to £7.64m last year, a 12 per cent improvement over 1987.

The increase was achieved in spite of the strength of sterling, which caused a reduction of £1m in pre-tax profits on translation of overseas results.

In addition, £1.4m was written off against reserves in relation to the group's overseas assets.

On the other hand, profits were boosted by a pension fund holiday which added £796,000 to profits.

Turnover was adjusted downwards by £5m to reflect the closure of the London Colney aluminium slug operation in 1987. On this basis, sales rose by 17 per cent to £114.9m.

In August, the group received £7m on the disposal of related land and, after tax, this formed the bulk of a £4.5m extraordinary item.

Earnings per share grew by *26 per cent to 14.9p.*

A final dividend of 5.8p (5.2p) has been proposed giving a total for the year of 8.15p (7.4p).

Mr John James, Managing Director, said that sales had improved across the group's operations and that its Italian and South African companies returned record results.

The group did not give a breakdown of production and sales by area but said that overseas turnover accounted for about 40 per cent of the total.

During the year capital expenditure amounted to around £9m.

This included expenditure in support of the DUET plastic closure operations which are now in operation in the Midlands, Italy and South Africa.

The group's operations in the pre-press services market were expanded through the acquisition of three companies previously owned by Gilchrist.

According to Mr James, these performed in line with budget and made a positive contribution to profits.

● COMMENT

Last year saw a slowing of Metal Closure's recent rapid growth rates and *1989 is likely* to put the brakes on further. With a significant proportion of profits coming from overseas, and South Africa in particular, the continued strength of sterling will constrain exports and depress profit translations. Domestically, any impact that higher interest rates have on consumer expenditure will soon be felt by *Metal Closure. On top of this,* its pensions holiday is drawing to a close. The company itself seems to be doing the right things. Its expansion into the rapidly growing pre-pressed market is likely to improve returns as are last year's investments in plastic closure operations. The benefits of these investments and related *acquisitions* should become evident this year and with gearing at 22 per cent there is scope for further expansion. The factors outside the group's control, however, imply profits of no more than £8m. *This puts* shares on a multiple of 13 which, given that Suter, the industrial holding company, has increased its stake to over 26 per cent, includes a fair degree of bid speculation.

Johnston Group advances to over £8m

Profits of Johnston Group, the Surrey-based civil and mechanical engineer, rose from £7.29m *to a record £8.07m* pre-tax for 1988. Turnover was some £20m ahead at £99.14m.

The dividend for the year is being lifted by 1.5p to 11.5p via a final of 8.5p from earnings of 48.03p against 42.63p previously. At year-end net asset value per 10p ordinary was 71p higher at 393p.

The engineering division as a whole improved its performance while the US subsidiary reduced its losses with the current year expected to show a continued improvement.

In the UK, the sweeper company overcame the manufacturing difficulties which had affected 1987 and a better return was being looked for in 1989. The civil engineering supplies division enjoyed a good year.

Silentnight advances 32% to top £11m

By Andrew Hill

SILENTNIGHT Holdings, the bed and furniture maker, yesterday unveiled a 32 per cent increase in pre-tax profits to £11.1m in the year to January 28, despite the impact of higher interest rates and new flammability regulations.

Mr Christopher Burnett, chief executive, warned that rules on the flammability of furniture fabrics, which come into force in March 1990, could again delay the supply of new furniture to retailers in 1989.

Earnings rose from 11.58p to 15.87p and the recommended final dividend is 4.75p, making 7p (5.25p) for the year.

Silentnight also announced *a deal with its major customer*, Lowndes Queensway, the furniture store chain. The contract - to deliver beds direct to customers' homes - aims to cut delivery time down to about 10 days, against the present eight to 10 weeks.

Mr Burnett said he hoped the deal would double sales through Queensway to about £10m, and encourage the store's competitors to install direct delivery systems.

Ironically, trading and management problems at Queensway held back Silentnight's sales during 1988-89. Group turnover rose 20 per cent from £105.6m to £126.99m - excluding Queensway, sales increased 25 per cent.

Beds turnover rose to £76.7m (£65.5m), sales of cabinets to nearly £17m (£7.85m), and international turnover from £6.88m to £7.19m. Upholstery sales rose to £24.6m (£24.2m).

The group said the benefits of acquisitions made during 1988 and in the first half of 1989-90 should come through this year.

● COMMENT

The fact that Queensway is the first major retailer to use Silentnight's computerised direct delivery system is slightly unfortunate, given the store group's turbulent recent history. But the theory behind the deal is sound, and should demonstrate once again the strength of Silentnight's marketing and promotion strategy. For most analysts that is enough to offset the caution of the full-year statement. Silentnight hopes to forestall problems caused by new *flammability* regulations, by supplying furniture which meets the new rules from midsummer, but an unfavourable economic climate and slackening consumer demand are less easy to handle. Forecasts for 1989-90 of £12m or £13m before tax put the shares, unchanged at 170p yesterday, on a prospective p/e of 9.5 or 10 - worth keeping an eye on over the next few months with a view to buying in the longer term.

BAe foreign limit breached

Foreign-held shares in British *Aerospace have once again* breached the 15 per cent Government-imposed limit.

The company was informed by its registrar that 38,497,411 shares, representing 15.04 per cent of the share capital, were in foreign hands. The company will now instruct those foreign investors holding shares in excess of the limit to sell their holdings.

Alexandra Workwear climbs 24% to £6.27m

By Vanessa Houlder

ALEXANDRA WORKWEAR, the largest workwear manufacturer in Europe, yesterday announced a 24 per cent increase in pre-tax profits from £5.06m to £6.27m for the year to January 28.

Increased delivery costs due to the postal strike knocked about £100,000 off profits. The strike also delayed the posting *of the autumn catalogue. Mr* John Prior, chairman and chief executive, said that the impact of the strike was minimised and sales continued to develop satisfactorily.

Overall, sales increased by 21 per cent from £40.7m to £49.4m. This was made up of a 23 per cent rise in UK sales to £46.8m and a 1 per cent rise in overseas sales to £2.6m.

The retailing activities have been expanded with new shops in Dundee, Newcastle and Bournemouth, *bringing* the current number of shops to 24. Alexandra is due to open a combined shop and sales office in Paris in May.

The company's gearing increased from 21 per cent to 23 per cent. The return on capital was unchanged at 48 per cent.

Earnings per share increased by 25 per cent to 12.5p (10p). A final dividend of 2.55p per share brings the total dividend for the year to 3.9p (3.2p), an increase of 22 per cent.

● COMMENT

An enthusiastic City following and a generous rating are rare attributes in a textile manufacturer. *But - as these results* confirmed - Alexandra has little in common with the traditional textile industry. It is insulated from imports and should not suffer from the consumer squeeze. Furthermore, it is enjoying a growing market - thanks to the increased popularity of 'house style' clothing and a move towards multi-piece outfits. On top of that, Alexandra's strong reputation for service may give it room to improve its market share of near 30 per cent. *Meanwhile its* expansion into France is seen as a useful source of future growth, even though the benefits are unlikely to be evident for a couple of years. Analysts expect pre-tax profits of £7.5m this year, which puts the *shares*, up 5p to 191p, on a fully valued p/e of 13.

Swallowfield on target and pays promised 3p

SWALLOWFIELD, the aerosol manufacturer, has comfortably achieved its profit forecast and is paying the promised 3p dividend for 1988. It joined the USM last October.

From turnover of £14.37m (£12.78m), pre-tax profits came to £1.92m, compared with £1.85m forecast and with £1.34m attained in 1987. Earnings were 14.6p (10.2p).

Mr Tony Wardell, managing director, said although it was a difficult year for the industry Swallowfield more than maintained market share by pushing up unit sales by 8 per cent.

Own label business for many of the foremost high street companies gained particularly well. The new bag-in-can products had a good first year - this process has the advantage *of not mixing product and* propellant.

The group is installing an anti-perspirant/deodorant stick plant which should be in production this month. Anti-perspirant/deodorant *aerosols* are the most difficult to reformulate with non-CFC gasses, and Swallowfield believes that consumers will demand a stick preparation as in the US.

Gardiner in £9.6m buy

By Andrew Hill

GARDINER Group, distributor of security products, is to buy Bridgend Group's security division for £9.6m in cash - £500,000 more than Bridgend's market value.

The deal - funded by a one-for-two rights issue, raising £9m - *will leave Bridgend* with its electrical wholesaling division intact, and with cash to expand with further acquisitions in the same field. Electrical wholesaling currently accounts for only 30 per cent of the group's turnover.

Last August Gardiner rejected an offer from Bridgend in favour of a bid for 40 per *cent of its shares from two* other security groups, Automated Security (Holdings) and Scantronic Holdings. It first announced it had approached Bridgend in February.

Both ASH and Scantronic will take up their full entitlement of shares in the rights issue.

Yesterday's move could leave the smaller Bridgend vulnerable to a full bid from predators interested in making a disguised rights issue by buying a cash-rich company.

Yesterday Bridgend's shares rose from 59p to 63½p and Gardiner's from 51p to 55p, compared with the rights issue price of 45p.

Gardiner is buying Bridgend's Associated Trust Holdings, Elsac and Bridgend Technologies subsidiaries, wholesalers, distributors and manufacturers of security *products in the UK and the* Irish Republic.

A further £300,000 could be paid if the security division's assets vary from £3m, while the payment will be reduced if the division's gross profits are less than £2.7m in 1988.

UK COMPANY NEWS

Benefits of aggressive acquisitions policy only partially reflected

Meggitt advances 29% to £21m

By Ray Bashford

MEGGITT HOLDINGS, the specialist engineering group, boosted pre-tax profits 29 per cent from £16.3m to £21.1m during 1988.

The result was posted after a 17 per cent growth in turnover to £194.5m, compared with £166.6m in the previous 12 months.

Earnings per share increased from 9.3p to 10.4p. The board is recommending an improved final dividend of 1.85p making the total 2.75p (2.25p).

Mr Ken Coates, managing director, said the company had achieved its aim of focussing on four principal areas, aerospace and defence, controls and instrumentation, electronics and energy engineering, all of which made increased contributions.

The benefits of the aggressive acquisitions policy, which led to £70m of purchases during the year was only partially reflected in the performance.

Microsystems, the USM-quoted electronic products group, acquired for £34.4m, made a contribution for only two months to the controls and instrumentation and electronics divisions.

Aerospace and defence operations saw a 14 per cent growth in turnover to £82.8m (£72.8m), despite the difficulties that it and other defence contractors has experienced in delays with Ministry of Defence contracts.

The civil aerospace businesses were able to counter easily the impact of MoD delays and grew amid increased activity in the US and continental european industry.

Control and instrumentations was the second biggest contributor to turnover which rose by 10 per cent to £46m (£42m).

The managing director expected this division to advance strongly during the current 12 months following several acquisitions.

The energy engineering division recorded the biggest percentage improvement in turnover, advancing 32 per cent to £23m (£17.5). This was achieved without acquisitions and orders are strong for the current year.

The purchase of Microsystems had the greatest impact on the Electronics division which saw a relatively modest 6 per cent improvement in turnover to £7.14m (£6.71m).

Ken Coates: focussing on four principle areas

● COMMENT

These results contained no surprises which is only fitting for Meggitt appears set on a course of solid but unexciting growth in the short to medium term. There is little to grumble about in these figures or in the record for growth over the past five years. However, Meggitt appears destined to be a small player in a diverse range of businesses where major corporate forces dominate. The acquisitions made in the 12 months under review will bear fruit in the current year and with gearing down to 5 per cent there is room for further cash purchases. Alert management has minimised the impact of delays in MoD contracts and the civil aerospace business shows every indication of making a strong contribution for the remainder of the year. Forecasts of pre-tax profits of £27.5m for the current year gives a prospective multiple of 10 which makes the shares interesting for those with a longer-term outlook.

Problems at Lexterten restrict Era to £4.6m

By David Waller

PROBLEMS AT its Lexterten subsidiary resulted in Era Group, the retail company formerly known as The Times Veneer, reporting a 15 per cent fall from £5.38m to £4.6m in pre-tax profits for 1988.

Three of the company's four retail businesses did well last year, driving turnover turnover up from £50.07m to £67.25m. Although earnings per share fell from 6.82p to 5.53p, the directors recommend a final dividend of 1.75p, making 2.75p for the year – an increase of 10 per cent.

The pre-tax figure included £615,000 from property transactions and a £455,000 profit from share dealings. It was arrived at after charging £803,000 in exceptional costs relating to Lexterten, the reproduction furniture subsidiary.

Lexterten's turnover climbed from £14.32m to £15.56m, but a profit of £1.66m turned into a loss of £839,000.

The company both makes and sells furniture, and it was on the production side that it experienced its difficulties. The Kohnstam subsidiary – which incorporates the Beatties chain of model and hobbies shops – produced record profits of £4.69m, up from £3.61m.

The problem at the furniture company meant that increased trading levels could not counteract the margin slippage which resulted from the production problems; there was also the exceptional charge, of which £231,000 corrected an overvaluation of stock at the end of 1987 and a further £252,000 arose because of another stock adjustment after a physical stock count at the end of 1988.

The company said that problems arising at Lexterten have been and are being "urgently addressed" by a new management team; meanwhile, the board's confidence in the future, buttressed by a strong balance sheet, was enough to justify the increase in the dividend.

Disappointing joint venture limits MTM advance to 27%

By John Ridding

MTM, the specialty chemicals manufacturer, yesterday announced a 27 per cent rise in pre-tax profits for 1988 to £6.6m despite a disappointing performance by Norsochem, its joint venture with Orkem of France.

Turnover, including including its 50 per cent share of Norsochem, grew by 42 per cent from £39.8m to £56.7m.

Despite an increased tax rate, resulting in an increased charge of £1.3m (£800,000), earnings per share rose by 24 per cent to 14.5p. A final dividend of 2.4p (2p) has been recommended giving a total for the year of 3.5p (3p).

The pre-tax figures included about £1m resulting from consultancy fees relating to the setting up of Norsochem.

The main trading profit centre during the year was MTM Chemicals, the largest subsidiary, which contributed £1.5m after breaking even in 1987. The specialist coatings division also experienced a strong improvement turning in a profit of £180,000 after losses of £300,000 in 1987.

Norsochem, however, experienced a difficult year and suffered a fall in profits. This was attributed to high prices for Toluene, a principal raw material, and also to difficulties in the management structure which was changed towards the end of the year.

A number of acquisitions were made during the year which also contributed to sales. In particular, the company's US operations were expanded through the purchase of Traybor, the agrochemical and pharmaceutical producer. Reflecting this, sales in the US grew by about 75 per cent.

Europe also saw an increase in sales with its share of total turnover rising from 30 per cent to 36 per cent. Mr David Fyfe, managing director, estimated that currency translation had reduced profits by £250,000.

Capital expenditure amounted to £10.5m compared with £9m in 1987. This year, £12m has been budgeted, which includes a major plant construction programme at MTM's Kirkby site.

Mr Fyfe gave details of a comprehensive strategic review whereby a business area marketing strategy will be adopted as opposed to the previous subsidiary based sales approach.

There is also to be increased emphasis on developing technologies in organic chemical synthesis to meet increasing demand for these products.

● COMMENT

MTM's results were marred only by the poor performance of Norsochem. In all other areas the group made good progress. Unfortunately, there seems little short-term prospect of improving the joint venture's fortunes. Toluene prices are set to continue strong and are likely to more than offset the benefits of the improved management structure. Norsochem's shortcomings should however, be far outweighed by the continuation of strong sales in MTM's other businesses, particularly agrochemicals. In addition, 1989 will see the first benefits of last year's significant capital expenditure and the development of the company's presence in the US market. As a result, profits in the region of £8m can be expected. This puts the shares on a multiple of about 12, which given the increasing returns which should flow from current investments, seems good value. An additional boost would be provided in 1991 should Orkem take up its call option for Norsochem. On current form, and with its strategy of developing higher value added products, MTM should hope that it will.

Return to acquisition trail for TT

By Graham Deller

TT GROUP, the industrial fasteners, aerospace components and packaging group, has conditionally agreed to acquire Newship Manufacturing from Mr John Newman and Mr Nicholas Shipp, the management duo which gained control of TT in February 1988.

The deal, which values Newship at about £12.7m, comprises £2.15m cash and the allotment of 4.26m new TT shares plus a dividend of £338,000 to the vendors.

On completion, Mr Newman and Mr Shipp will control 32.6 per cent of the enlarged group and will seek confirmation from the Takeover Panel that they will not be obliged to mount a general offer under Rule 9 of the City Code. The deal is also subject to shareholders' approval.

Newship is engaged in the manufacture of products for the construction industry together with a metal finishing service. During 1988, it achieved pre-tax profits of £1.63m on turnover of £12.7m. Net assets at the year-end amounted to some £2.5m.

TT, the former Tyzack Turner, yesterday also announced preliminary results for 1988 which showed pre-tax profits sharply higher at £3.58m (£1.1m) on turnover ahead 67 per cent at £28.05m. Earnings per share expanded to 20p (14.1p) and the dividend is raised to 6p (4p) through a proposed final of 4p.

The outcome exceeded the group's own forecast of £2.25m made at the time of its takeover last August of Beatson Clark, the glass and plastics packaging manufacturer. Mr Timothy Reed, chairman, said: "A major rationalisation programme should lead to a significant enhancement in profitability at Beatson Clark in the current year."

Mr Reed stated that the increase in profits was attributable to organic growth from Deltight International, the industrial fasteners subsidiary, and United Packaging, together with useful contributions from Beatson Clark and Bintcliffe Turner, also acquired during the year.

Shandwick shows good growth

By Nikki Tait

SHANDWICK, the acquisitive UK-based public relations company, yesterday announced pre-tax profits of £5.6m in the first six months to end-January. The figure was scored on operating income of £30.9m.

The profits figure compares with £3.1m in the first half of 1987-88, but part of the increase reflected acquisitions. Yesterday, Shandwick declined to break out the precise impact of these, but said that organic growth had exceeded 20 per cent. It added that some 400 clients and worth over £10m in fee income were won in the first half.

At the earnings per share level, there was a 15.9 per cent increase to 21.9p after a 34.5 (35.1) per cent tax charge. The interim dividend goes up by one-third to 2.67p a share.

However, Mr Peter Gummer, the company's chairman, indiciated yesterday that the pace of acquisitions would now slow significantly. "Shandwick's network is substantialy complete," he commented.

The company still has a few areas where it would like to add businesses but such deals would be relatively modest.

Shandwick said that the interim profit was struck after over £500,000 additional expenditure on its financial and administrative infrastructure. It also said that second half trading had begun well with signs of marketing co-operation between the international regions and their offices.

● COMMENT

There were few surprises in the Shandwick figures yesterday, but - in the wake of the Saatchi warning - even a little good news goes a fair way in the sector these days, and the shares duly added 6p at 566p. That can probably be explained by the dividend increase - more generous than most analysts expected - and the bullish trading statement. The highlighting of Shandwick's attention to financial controls was also probably testiment to the company's PR skills. Even if such measures add to costs, investors may find this preferable to any potential mishaps. For the future, the company seems to be indicating greater reliance of organic growth, suggesting its industry is growing at over 20 per cent per annum, whilst alsopointing to the defensive merits which its spread of customers provides. Some analysts remain slightly sceptical - remembering the propensity of marketing services companies to sieze opportunities which present themselves despite stated policies. Moreover, in the face of general worries about earnout deals, maximum future payments of around £50m - now, post-Golin through to 1994 - may still cloud sentiment. If the full-year profits total is around £14.5m, the shares are on a 10 times rating which - adjusting for year-ends - that may be a touch below the sector average. However, the shares have already had a strong run since December. In short, there may be a little more to go for short-term, but the bulk the rerating seems likely to be over.

Boustead nears £4m

AN outstanding 1988 at Boustead saw turnover grow from £39.45m to £64.3m and pre-tax profits from £2.02m to £3.88m.

Shareholders participate, with the dividend more than doubled to 1.1p (0.5p), through a final of 0.8p. Earnings came to 3.71p (2.31p).

During the year this international trading and industrial group acquired Camotech, Porchbrand, Jani-Jack and Merchant Air Cargo. Camotech has been merger accounted.

Apart from the first-time contributions, Powerdrive made significant profits while Metal Supplies saw some pressure on margins. Results from King Trailers were disappointing but improvement was expected following management changes.

Boustead is buying up the 50 per cent of Metal Supplies owned by joint venture partner R&G Schmole Metallwerke for £1.1m cash.

At Boustead Singapore, the 63.3 per cent owned subsidiary, there was strong volume growth and improved margins.

On the outlook, Mr Tommy Macpherson, chairman, said overall operations in Singapore and the UK were capable of a substantial improvement. Order books for the first quarter were good.

Boustead decided to make a worst case provision and provided in full for the £1m investment in Boustead Davis. That removed the qualification previously appearing in the auditor's report.

NEWS IN BRIEF

ARNOTTS pre-tax profit in year to January 31 was I£2.77m (£2.33m) compared with I£2.74m previously. Turnover was £48.53m (£52.02m) and after interest of £458,000 (£631,000) and tax of £1.27m (£837,000) earnings per share were 14.37p (12.48p). Final dividend is 7.5p making 12p.

CAMBRIDGE ISOTOPES made pre-tax profits of $1.03m for the year to November 30 1988, down from $1.3m, on turnover $5.58m ($4.51m). Earnings per share were $0.05 ($0.06) and there is no dividend.

NORTH SEA & General: Pre-tax profits £1.29m (£2.04m) and turnover £5.83m (£6.07m) for 1988. Net earnings per 10p share 1.32p (2.65p). Final dividend 0.5p making 1p for year. Extraordinary loss of £762,000 compares with £2.51m credit.

AC Holdings in £0.77m expansion

By Nikki Tait

AC Holdings, the former AC Cars which has been turned into a small financial services business, is acquiring the Bamford Brandt fund management business. This manages funds for pension funds, private clients and offshore unit trusts and had funds under management of £52m at end-March.

AC is paying an initial £774,000, comprising £450,000 cash and the remainder via the issue of 405,000 shares.

AC will pay an additional cash consideration equal to the amount by which Bamford Brandt's audited net assets at end-March exceed £450,000.

BET disposal

BET, the international support services company, has sold Rediffusion (Hong Kong) and its properties to companies in Hong Kong owned by Mr T T Tsui for HK$ 123m (around £9.15m).

News Digest

GEERS GROSS

Keeping up recovery with £0.48m

GEERS GROSS, the advertising agent and consultant, continued its recovery in 1988 and for the 12 months returned profits of £479,000 pre-tax.

That compared with a loss last time of £3.96m and was struck on turnover reduced from £99.5m to £41.1m.

After a nil tax charge (£361,000 credit) and an extraordinary profit of £335,000 (£3.4m), earnings per 10p share worked through at 5.38p (loss 1.16p). Before extraordinary items earnings per share came out at 3.17p against a loss last time of 23.78p.

In line with the forecast at the interim stage, the directors are recommending a return to dividend. However, they think it prudent to start slowly and therefore a final of 1p.

The directors believed the recovery was due to a number of elements.

The group had consolidated its resources back to the UK and important new business had been gained, starting with General Accident last year.

The growth had steadily continued, they said, with business gained from companies including MFI, Schreiber, Hygena, Royal Doulton, Nintendo, AEG, Mello and Kraft.

Also, a number of clients which had been lost were now considering returning to the fold, and International Marketing Corporation, the group's sales promotion subsidiary, had turned in satisfactory results.

LDN & STRATHCLYDE

Expansion in opening half

In the half year ended February 28 1989 London & Strathclyde Trust improved its earnings from 2.14p to 3.29p, and is raising the interim dividend from 1.1p to 1.25p.

On the asset side, net value per share rose 11.4 per cent, from 259.9p to 289.1p, compared to increases of 14.4 per cent and 6.3 per cent respectively in the FT Actuaries All-Share Index and Standard & Poor's 500 Index (adjusted for exchange rates).

Liquidity restrained performance, particularly in the second quarter, the managers explained. On a 12 month view, the trust had marginally outperformed the FT All-Share.

Gross revenue for the period grew to £917,000 (£703,000) while the net figure came to £480,000 (£314,000).

T&S STORES

Profits climb to £3.04m

T&S Stores reported pre-tax profits up from £2.43m to £3.04m for 1988, on turnover ahead 35 per cent from £95.9m to £129.59m.

Although the company started 1989 with 10 per cent fewer stores, total sales are already slightly ahead of last year and a store modernisation programme will be complete by early summer. The extra cigarette stocks purchased in anticipation of a budget increase in tobacco duty that did not materialise will have an adverse effect on the interim results, but sales are expected to benefit in the long term.

A final dividend of 1.625p is proposed, making 2.625p (2.1p) for the year.

PEEL HOLDINGS

Placing of debenture stock

Peel Holdings, property group, is to issue £100m 9¾ per cent first mortgage debenture stock 2011 by way of a placing. The new stock will be a fourth tranche of the existing stock, of which, following the placing, there will be £200m in issue.

The gross redemption yield of the new stock will be set at 1.55 per cent above the gross redemption yield at 3pm yesterday on 9 per cent Treasury stock 2008.

Proceeds of the issue will be used to refinance variable rate borrowings and to fund further property developments.

Brokers to the issue are Rowe & Pitman.

NB Canadian

Net assets and earnings ahead

Net asset value per 25p share of the North British Canadian Investment Company stood at 483.5p at February 28 compared with 435.9p 12 months earlier.

Available revenue for the year advanced to £616,494 (£553,016), equal to earnings of 9.13p (8.19p). A final dividend of 6.3p raises the total from 8.1p to 9p.

COMMODITIES AND AGRICULTURE

Australian offshore gas project given go-ahead

By Chris Sherwell in Sydney

THE SIX international joint venturers in the North-West Shelf natural gas project yesterday announced a go-ahead for the A$1.63bn (£800m) development of the Goodwyn field, lying 130 km off the Australian coast.

The development is part of the original A$12bn plan of exploration, production and onshore processing under which the North West Shelf supplies gas to Western Australian consumers and, from this year, liquid natural gas to *an array of Japanese utilities.*

The choice before the six – Shell, BHP, Woodside Petroleum (the main shareholders in which are Shell and BHP), BP, Chevron and a Mitsui-Mitsubishi joint venture – was between committing themselves now or deferring the decision for around five years.

Yesterday's go-ahead means the 26-well Goodwyn 'A' gas and condensate production platform will be established in 131 metres of water by 1993 and linked by pipeline to the similar North Rankin 'A' platform 23 km to the north-east.

Although it will have the capacity to process 900m cu ft of gas per day and up to 80,000 barrels a day of condensate, a considerable proportion of the gas will initially be reinjected underground after stripping off the condensate.

This is partly because the gas will not be required under existing contracts until the mid-1990s, when it will supplement production from North Rankin in order for the consortium to meet its sales commitments.

The main reason for going ahead now is the fact that the Goodwyn field, particularly in the northern sector, where the platform will be positioned, contains four times the level of condensate *associated* with its gas compared with North Rankin.

Condensate, being a light form of crude oil which yields marketable gasoline products, *is a much-needed bonus for the* partners. They already extract a higher-than-planned condensate output of 20,000 barrels a day from North Rankin, and the addition of Goodwyn will make it equivalent to a small oilfield.

But in making their announcement yesterday, the partners struck a sombre note. The project, they emphasised, was marginal, and the decision to proceed had been taken against a background of depressed oil prices and escalating capital costs.

Every effort would therefore be made to reduce capital costs consistent with safety standards. Although the consortium was committed to maximising Australian content in development, Australian industry "must be competitive in price, quality and deliverability if it is to share in Goodwyn work."

The announcement comes hard on the heels of a decision last month to go ahead with a third liquefied natural gas processing train onshore at a cost *of A$900m. The six partners* hope eventually to develop a fourth and fifth LNG train, and probably a second pipeline from the field to the shore as well.

Aluminium optimism 'justified'

By Kenneth Gooding, Mining Correspondent

THE WORLD aluminium industry's optimism – illustrated by its plans to lift primary metal production capacity from 15.25m tonnes a year to 17.25m tonnes by the mid-1990s – is entirely justified, according to the latest aluminium annual review from the Anthony Bird Associates consultancy group.

It suggests a sea-change has taken place in the world economy and in the aluminium industry which is as important as the sea-change of 1973.

"In this new environment the old defensive corporate strategies will no longer be appropriate," Bird says.

The review suggests that aluminium consumption will tend to grow at a slightly faster rate than world industrial production and in the years *after 1990 should be* growing at nearly 4 per cent a year.

"Aluminium companies now recognise that the cuts in capacity between 1984 and 1986 have been overdone," the review adds.

The short-term balance between supply and demand remains very fine. "When consumption starts to expand again in 1990 there could be a renewed period of market tightness."

There will still be a need for more investment in new capacity to satisfy rising demand in the years beyond 1995 and to replace some 602,000 tonnes of capacity from "last gasp" or moribund smelters.

Bird believes that "from here on" aluminium's competitive position should improve and should eventually settle at about the level seen in 1986, which it sees as "quite compatible with continued growth in demand."

However, production costs have risen over the past three years, reversing the pattern of declining costs seen in the 1982 to 1986 period. The Bird review predicts that costs will rise in the long term at nearly 2 per cent a year *in real terms,* though future exchange rate changes might affect this figure.

"For many smelters alumina prices have further to rise yet, while the favourable prices at which most smelters buy their electricity will come under increasing challenge from the utilities," it adds.

Canada has become the favoured location for new smelter construction. New capacity in that country can be justified at a price of 72.6 US cents a lb, Bird suggests. Rising costs will push this figure up in time to about 79.6 cents at today's prices and exchange rates.

Although there are many reasons to suggest that the cycle of demand for aluminium might be more violent in the future than in the past, the review takes a more sanguine view.

The steadiness of the world economy, the underlying buoyancy of demand for aluminium and the pressing need *for new capacity to* keep that demand supplied will all contribute to a reduction in volatility.

"There will be moments when demand hesitates and prices dip. But the *fact that* the industry needs new capacity, which must not be discouraged, will act as a floor to support prices in any setback," the review points out.

"Aluminium Annual Review 1989" from Anthony Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK. £665.

ALUMINIUM SUPPLY/DEMAND PROJECTIONS ('000 tonnes)

	Production	Consumption	Net Comm. expts	Balance
1997	18,230	18,659	419	−10
1996	17,410	17,803	396	+2
1995	16,408	16,742	349	+15
1994	15,196	15,595	375	−23
1993	14,786	15,193	520	+92
1992	15,131	15,498	508	+141
1991	14,640	15,297	347	−319
1990	13,678	14,391	341	−372
1989	12,800	13,803	396	+396
1988	13,537	13,727	331	+141
1987	12,637	13,488	280	−551

Source: Anthony Bird Associates

Cattle disease on the increase

By Bridget Bloom, Agriculture Correspondent

THERE HAS been a steady *increase over the last few* weeks in the number of recorded cases of bovine spongiform encephalopathy, the "cattle madness" disease so far only found in Britain.

According to the latest figures from the Ministry of Agriculture, 3,745 cases of BSE, as the disease is known, had been recorded by March 31 on more than 2,000 farms spread across Britain – about 100 a month more than late last year.

The first case of the disorder, which appears to be related to the rare Creutzfeldt-Jacob disease in humans, was identified in late 1986. Its precise origins are still a mystery to scientists.

However, an official report published last month by a working party under the chairmanship of Sir Richard Southwood, *Professor of Zoology* at Oxford University, suggested that BSE comes from cattle feed containing the remains of sheep suffering from scrapie. Scrapie, a brain disease in sheep, has long been known, and was thought untransmissible either to humans or other animals.

The possibility that BSE might affect humans was described as remote by the Southwood Committee but the Government is sufficiently concerned by its spread to have alerted doctors to look out for any changes in the pattern of Creutzfeldt-Jacob disease.

BSE was made a notifiable disease last June: cases must now be reported, while affected animals must be slaughtered and removed from the food chain.

The Southwood report said the enquiry into BSE had led the committee to question the wisdom of some of the intensive practices of modern husbandry which risked exposing man to new animal-borne diseases.

However, officials are puzzled that the disease appears so far to be confined to Britain. They believe it may exist in other countries but at a level which has so far made it difficult to spot.

US weather key to edible oils outlook

David Blackwell on a sector in which political problems overlay commercial tensions

THE PRICE of edible oils is likely to rise fairly sharply in the next few weeks, as the relative tightness of world supplies becomes more apparent, according to Mr Joachim Rathke, president *of the European Oilseed Crush*ers Association. He told a conference of the edible oils industry in Vilamoura, Portugal, that at the moment the world situation looked tight, but the markets did not reflect it.

However, Mr Dennis Blankenship, West European director of the American Soybean Association, said that this year world soyabean production would increase dramatically and supplies would be very adequate. If the weather in the US was good, he could not see any price run-up, he said, *although he believed stocks* would be down.

Mr Rathke said that in historical terms edible oils prices were extremely low at present, especially taking into account the low level of the dollar against European currencies. The edible oils markets take their cue from the Chicago Board of Trade soyabean oil price, generally thought to provide a representative picture of world price levels. But Mr Rathke, attacking what he called "quite severe" distortions, asked if this was really *true in a situation where:*

- The US pays export subsidies of up to $200 a tonne;
- Argentina discriminates against soyabean exports;
- Malaysia discriminates against crude palm oil exports;
- The EC compensates for the difference between import prices and domestic prices by producer subsidies.

Following last year's droughts in the US and China, world edible oil stocks were declining and would by the end of September be nearly as low as during the last big shortage in *1983-1984, he said.* World demand continued to rise by about 3 per cent a year, or more than 2m tonnes, with China and the Soviet Union having particularly strong import requirements. World production, notably in palm oil, was expected to increase in India, Malaysia and South America, but might not be enough, he said.

Mr Rathke predicted that in the next three to four years, EC sunflower and rapeseed crops would stabilise in volume or even decline following *cuts in support prices as a* result of budgetary constraints. In the longer term technological progress and rationalisation would improve productivity, making it less dependent on support. EC crops would then increase with the growth in demand.

He warned that unfair trade practices would, if not discontinued, force protective measures in the currently liberal EC trade policy on oils and fats. These could not be stopped in bilateral trade agreements – the only hope rested with the multinational Gatt (General Agreement on Tarrifs and Trade) negotiations in Geneva.

Mr Blankenship, however, took a different view of EC policies, pointing out that US soyabean exports to the EC had suffered considerably due to the subsidies which had "guaranteed European farmers up to two-and-a-half to three times the world prices of oilseeds and proteins."

"Many of our farmers dream of becoming Italian soybean producers with the high guar*anteed prices," he said.*

The US Government had, at the request of the American Soybean Association, challenged the subsidies in a Gatt panel case. "This is the most important case ever put before a Gatt panel. More than $3.5bn in trade is involved."

He said the US objective was not to stop the production of oilseeds and proteins in the EC but to regain market access on a competitive basis with other producers. Increased availability of EC subsidised rapeseed and sunflower oil, as well as *Italian soyabean oil, had cre*ated tremendous competition for soya oil.

"The market share of soya oil dropped from 31 per cent of edible oil use in 1978 to 21 per cent in 1987 within the EC."

World soyabean output this year would be high enough to ensure adequate supplies for the trade, he said. US farmers would respond to the 19 per cent reduction in output because of drought last year with higher plantings for this year. If the US reached normal yields, 1989 production would *be 28 per cent above last* year. World output could be up more than 35 per cent because of large increases in production in Brazil and Argentina, Mr Blankenship said.

"Many industry leaders predict that South American soybean production will surpass US production in the 1990s. The export market share of these countries would increase dramatically if this were to happen."

The conference – entitled The Shape of Tomorrow and hosted by Acatos & Hutcheson, the UK edible oils group – highlighted the tensions in the edible oils sector, in which stiff competition is overlaid with political problems. Even the comparatively steady olive oil sector arouses strong feelings.

Mr Marcelino Elosua, chief executive of Elosua, the world's biggest olive oil bottler, *pointed out that olive oil was* about four times the price of sunflower oil in the EC, with sunflower oil following the world market price, but olive oil having a political price.

He blamed most of the cost differential on EC subsidies, especially to farmers in southern Italy. Artificially high prices made no sense, he said. They forced the EC to keep huge stocks and to give a production subsidy and a consumption subsidy of about £1 a kilogram.

"That is too high a percent*age to go to support* what we call paper trees and paper oil," he said.

LITTLE INCREASE in overall fat consumption could be expected in developed countries, according to Mr Kurt Berger, consultant to the Palm Oil Research Institute of Malaysia. However, he told the conference, consumption in three quarters of the rest of the world was *much lower* than in the West, and in many cases below recommended minimum levels.

"A recent forecast expects world demand to increase by 31m tonnes by the year 2000," Mr Berger said. "We can expect that palm oil producers will take a significant share of this new market."

Malaysia is the world's biggest exporter of palm oil, which generates between 12 and 14 per cent of its national income.

Kuala Lumpur tin price surges to fresh peak

By Wong Sulong in Kuala Lumpur

TIN'S PRICE upsurge continued unabated yesterday as the Kuala Lumpur spot market price fresh 3½-year record for the fifth trading day in succession. Dealers said the rise continued to be fuelled by strong demand from European and Japanese buyers.

The price added 40 Malaysian cents to close at 26.13 ringgit a kilogram – equivalent to about £5,650 a tonne. During the past two weeks, the tin price has risen by 2 ringgit, and since the start of the year, it has surged by more than 6 ringgit, or 35 per cent.

"The price increases were expected considering the strong performance on the Rotterdam market, where spot tin closed at between US$9,620 and $9,670 a tonne on Monday," *said a Malaysian trader. He* added that Kuala Lumpur prices would have gone even higher had it not been for the strengthening of the Malaysian currency in recent days.

Commenting on the price increase, Dr Lim Keng Yaik, the Malaysian Primary Industries Minister, said: "It has risen too fast. I am worried that consumers may now be looking for substitutes for tin."

Dr Lim said he was also concerned that marginal mines in *Malaysia, which closed down* during the 1985 tin market collapsed, might now be encouraged to restart.

On the meeting of the Association of Tin Producing Countries in Kuala Lumpur next Monday, Dr Lim said he did not think the ATPC would allow members to increase production, but the association would not object to members disposing of existing stocks.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,070-2,110 (2,075-2,140).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.35-6.60 (6.40-6.60).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.10-7.40 (7.15-7.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.35-7.60

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 260-280 (255-285).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.80-3.90 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 7.80-8.00

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-65 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 9.50-9.90 (9.90-10.20).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60 (same).

LONDON MARKETS

Copper prices on the LME continued Monday's retreat, cash metal shedding a further £27 a tonne to close at £1,779.50. Sterling's strength against the dollar accounted for most of the fall. *In contrast zinc and aluminium* prices advanced. Three-month high grade zinc rose well above the $1,600 a tonne level, and traders predicted a substantial bounce if this could be maintained. But a further break of that level could see a further $100 fall, they warned. Coffee prices were boosted by a rise in New York. International Coffee Organisation talks continued to preoccupy traders, although no major developments in the negotiations were expected before next week. Monday's advance in sugar prices ran out of steam yesterday despite reports that French trade house Sucden had concluded a deal with the Soviet Union *for 1m tonnes for second quarter* shipment.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.45-6.55z	
Brent Blend	$19.85-9.95q	+0.25
W.T.I. (1 pm est)	$20.33-0.38z	+0.18
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$264-267	+7
Gas Oil	$162-164	+1
Heavy Fuel Oil	$93-95	+1
Naphtha	$188-190	-8
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$387.0	+2.25
Silver (per troy oz)♣	584c	+4
Platinum (per troy oz)	$531.75	+4.10
Palladium (per troy oz)	$157.50	-4.25
Aluminium (free market)	$1985	+25
Copper (US Producer)	133⅝-41¼c	-1⅜
Lead (US Producer)	37.5c	
Nickel (free market)	890c	-10
Tin (European free market)	£5618	-107
Tin (Kuala Lumpur market)	26.13r	+0.40
Tin (New York)	441.5c	-0.75
Zinc (US Prime Western)	95¾c	
Cattle (live weight)†	114.68p	+4.62*
Sheep (dead weight)†	234.96p	+21.1*
Pigs (live weight)†	79.73p	-3.65*
London daily sugar (raw)	$315.0v	+6.0
London daily sugar (white)	$338.0v	+5.0
Tate and Lyle export price	£297.0	+1.0
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£126v	+0.75
Rubber (spot)♥	58.50p	+1.25
Rubber (May) ♥	67.00p	-0.25
Rubber (Jun) ♥	67.25p	-0.25
Rubber (KL RSS No 1 May)	297.0m	+0.5
Coconut oil (Philippines)§	$530v	
Palm Oil (Malaysian)§	$372.5x	
Copra (Philippines)§	$355	
Soyabeans (US)	$192z	
Cotton "A" index	70.70c	+0.60
Wooltops (64s Super)	660p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. x-May/Jun. w-Apr/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	818	828	820	814
Jul	823	831	826	820
Sep	831	840	833	829
Dec	857	865	858	855
Mar	845	852	846	843
May	843	850	845	842
Jul	849	852	850	847

Turnover:2842 (2759) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 3:1054.05 (1068.22):10 day average for Apr 4:1060.47 (1065.14).

COFFEE £/tonne

	Close	Previous	High/Low	
May	1120	1100	1120	1093
Jly	1088	1067	1088	1060
Sep	1057	1037	1057	1030
Nov	1042	1027	1040	1021
Jan	1045	1027	1028	1023
Mar	1040	1027	1028	1020
May	1040	1028	1028	

Turnover:3816 (1729) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 3: Comp. daily 113.60 (113.74); . 15 day *average 118.14 (116.80).*

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
May	279.80	284.00	286.40	276.00
Aug	275.80	281.00	282.00	272.80
Oct	273.40	276.80	277.40	269.80
Dec	268.00	274.00	273.00	
Mar	263.40	267.00	265.00	261.00
White	**Close**	**Previous**	**High/Low**	
May	331.00	336.00	335.00	328.00
Aug	328.50	333.00	334.00	327.00
Oct	318.00	321.00	321.00	315.00
Mar	305.50		305.00	

Turnover: Raw 7376 (8948) lots of 50 tonnes. White 1008 (2508).
Paris- White (FFr per tonne): May 2080, Aug 2065, Oct 1980, Dec 1940, Mar 1940, May 1930.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
1800	173	159	7	37
1900	95	100	26	75
2000	42	57	73	130
Copper (Grade A)	**Calls**		**Puts**	
2700	268	219	14	85
2900	123	122	68	192
3100	41	61	184	328

JUTE
April/May c and f Dundee BTC $480, BWC $510, BTD $430, BWD $460; c and f Antwerp BTC $465, BWC $445, BWD $400, BTD $410.

COTTON
Liverpool- Spot and shipment sales for the week ended March 31 amounted to 468 tonnes against 968 tonnes in the previous week. Slow trading persisted with dealings in Spanish, Chinese and Turkish styles.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,600 tonne
Cash	1990-5	1965-60	1990	1985-90		
3 months	1980-2	1935-40	1995/1960	1976-8	1980-5	29,298 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,575 tonne
Cash	1777-82	1804-9	1781/1779	1780-1		
3 months	1672-4	1704-6	1681/1660	1676-7	1677-8	69,693 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	579-82	575-8		579-82		
30 June	592-5	589-92		592-5		353 lots
Lead (£ per tonne)						Ring turnover 10,000 tonne
Cash	338.5-9.5	334.5-5.5	339/338.5	338.5-9		
3 months	349-50	346.5-7	350/347	349-9.5	349-50	9,109 lots
Nickel ($ per tonne)						Ring turnover 1,416 tonne
Cash	15400-500	15450-550	15300	15300-400		
3 months	15200-50	15150-200	15300/14950	15300-400	15290-300	7,354 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,750 tonne
Cash	1705-15	1680-90	1720/1718	1715-20		
3 months	1675-80	1655-60	1680/1670	1670-5	1680-5	8,144 lots
Zinc ($ per tonne)						Ring turnover 15,706 tonne
Cash	1670-5	1640-50	1695	1694-5		
3 months	1624-5	1595-600	1630/1602	1622-4	1625-30	12,586 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	67.5	62.5	68.0	60.0
May	93.5	86.5	94.5	86.3
Apr	129.0	127.5	129.0	128.9

Turnover 293 (271) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	151.00	151.00	151.00	149.50
Aug	145.50	151.00	145.50	
Oct	146.00		146.00	

Turnover 57 (73)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1595	1600	1595	1580
May	1535	1545	1535	1530
Jul	1349	1360	1360	1338
Oct	1458	1470	1460	1450
Jan	1515	1535	1550	1519
Apr	1555	1568	1555	
BFI	1614	1619		

Turnover 424 (388)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	118.90	118.75	118.90	118.80
Jun	120.60	120.50	120.60	120.55
Sep	104.25	104.15	104.25	104.20
Nov	106.50	106.45	106.50	
Jan	108.65		108.65	
Barley	**Close**	**Previous**	**High/Low**	
May	110.90	110.90	111.00	110.90
Sep	101.35	101.35	101.35	
Nov	104.25		104.25	

Turnover: Wheat 149 (172), Barley 40 (24). Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	386¾-387¼	226¼-226¾
Opening	387¼-387¾	227½-228
Morning fix	386.60	226.945
Afternoon fix	386.65	226.934
Day's high	387½-388	
Day's low	386¼-386¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	396-403	232½-235½
Britannia	396-403	232½-235½
US Eagle	396-403	232½-235½
Angel	396-403	232½-235½
Krugerrand	386-389	225½-227½
New Sov.	91-92	53¼-54
Old Sov.	91-92	53¼-54
Noble Plat	533.65-542.65	313.55-318.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	342.30	582.65
3 months	353.45	597.60
6 months	364.30	612.70
12 months	386.25	646.65

CRUDE OIL $/barrel

	Close	Previous	High/Low	
May	18.96	18.93	19.05	18.74
Jun	18.21	18.33	18.35	18.05
Jul	17.55	18.00	17.70	17.50
Aug	17.15		17.15	
IPE Index	18.69	19.57		

Turnover: 8226 (8730)

GAS OIL $/tonne

	Close	Previous	High/Low	
Apr	159.25	157.50	159.50	157.75
May	154.25	154.50	155.50	153.00
Jun	152.00	152.50	153.25	150.75
Jul	151.25	152.25	153.00	150.00
Aug	151.75	152.75	153.00	150.50
Oct	155.00	155.50	155.25	152.00
Nov	156.50	158.00	158.50	153.50
Dec	158.00	158.50	158.00	153.50

Turnover 7517 (7817) lots of 100 tonnes

US MARKETS

DESPITE the lower dollar and higher energy prices, most of the metals failed to rally, reports Drexel Burnham Lambert. Gold and silver futures both had non-eventful sessions. Platinum *prices fell on some stop-loss selling.* Copper closed higher with sideways trading featured and local short covering seen late in the day. In the softs, trade selling in sugar reversed gains made on Monday. The May *contract fell 38 points closing at 1261.* Commission house selling kept the cocoa market under pressure. The energy market complex recovered from losses made on Monday as prices closed sharply higher in all markets. *Cotton futures gained on light trade* activity. The livestock markets featured follow through speculative selling in the bellies after Monday's limit move. *An expected bearish out of town* storage report also weighed on the market. Cattle and hog futures were *mixed in lighter activity. All of the* grains were higher on technical buying except for wheat which closed down *7¼ cents. No Morocco tender business* occured.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	388.1	386.2	387.7	384.8
May	387.9	386.0	0	0
Jun	390.9	391.1	392.7	389.6
Aug	396.1	396.2	397.8	395.3
Oct	401.9	401.9	402.9	401.0
Dec	407.6	407.6	409.0	405.5
Feb	413.3	413.3	413.9	413.8
Apr	413.3	419.2	419.9	419.8
Jun	425.1	425.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	522.8	527.7	532.0	521.5
May	523.1	528.2	0	0
Jul	525.5	530.7	534.5	520.5
Oct	527.0	531.7	535.0	524.0
Jan	529.0	533.7	0	0
Apr	531.5	536.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	581.6	578.8	0	0
May	585.8	583.3	588.9	583.5
Jun	591.0	588.7	0	0
Jul	596.5	594.2	600.0	594.5
Sep	607.6	605.3	610.5	605.0
Dec	623.7	621.5	626.5	623.0
Jan	628.8	626.5	0	0
Mar	639.7	637.4	643.5	638.5
May	650.6	648.3	652.0	650.0
Jul	661.8	659.3	663.0	663.0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Apr 3	Mar 31	mnth ago	yr ago
	2010.2	1998.8	1992.7	-
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	134.89	135.37	138.40	132.12
Futures	136.00	137.28	142.16	135.10

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	128.30	126.90	128.50	126.20
May	128.20	126.90	129.10	126.70
Jun	124.80	123.60	0	0
Jul	121.40	120.40	122.20	120.00
Sep	117.60	117.00	118.40	117.50
Dec	114.00	113.30	114.50	113.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.48	19.95	20.60	20.10
Jun	19.65	19.24	19.68	19.32
Jul	19.07	18.72	19.09	18.78
Aug	18.56	18.29	18.59	18.36
Oct	17.86	17.62	17.90	17.65
Nov	17.64	17.35	17.65	17.50
Dec	17.38	17.13	17.36	17.28
Jan	17.12	16.89	17.12	16.98

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5390	5275	5415	5295
Jun	5155	5062	5175	5070
Aug	5070	5015	5080	5020
Oct	5150	5120	5160	5130
Nov	5215	5175	5215	5215

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1382	1399	1415	1380
Jul	1323	1339	1355	1320
Sep	1305	1308	1325	1305
Dec	1311	1311	1329	1310
Mar	1305	1305	1323	1305
May	1305	1311	1320	1310
Jul	1323	1339	1355	1320

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	131.48	128.23	131.50	128.30
Jul	126.62	123.76	126.75	123.60
Sep	121.87	119.30	121.90	119.01
Dec	118.52	116.05	118.60	116.25
Mar	117.82	115.75	117.90	115.65
May	117.25	116.13	0	0
Jul	116.50	116.50	0	0
Sep	116.50	116.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	12.61	12.99	12.85	12.40
Jul	12.42	12.67	12.60	12.25
Oct	12.26	12.42	12.37	12.08
Jan	11.34	11.50	12.00	11.60
Mar	11.75	11.78	11.79	11.58
May	11.67	11.67	11.75	11.58
Jul	11.55	11.63	11.55	11.55

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Apr	61.55	61.50	0	0
May	63.04	62.53	63.15	62.67
Jul	64.23	63.85	64.35	63.80
Oct	64.75	64.20	64.86	64.50
Dec	64.40	64.08	64.51	64.15
May	65.40	65.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	166.80	167.95	168.90	166.10
Jul	168.05	169.85	168.60	167.30
Sep	165.30	162.58	165.45	163.25
Nov	155.25	156.05	165.50	156.00
Jan	152.50	150.50	152.00	151.50
Mar	151.30	149.80	151.30	151.30

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	714/6	710/0	719/4	714/0
Jul	723/4	720/2	728/4	723/0
Aug	720/0	717/0	725/0	719/4
Sep	709/6	707/0	714/0	709/4
Nov	705/4	702/4	708/0	704/0
Jan	713/6	710/0	717/0	713/0
Mar	723/4	718/0	725/0	722/4
May	730/0	724/0	730/0	729/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	22.05	22.04	22.28	22.05
Jul	22.62	22.64	22.87	22.61
Aug	22.91	22.95	23.13	22.91
Sep	23.15	23.26	23.36	23.15
Oct	23.35	23.35	23.60	23.36
Dec	23.78	23.70	23.93	23.75
Jan	23.95	23.80	24.05	23.95
Mar	24.07	24.10	24.05	24.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	221.1	218.4	221.3	219.8
Jul	219.6	217.2	220.0	218.8
Aug	217.8	216.2	218.5	217.0
Sep	216.7	215.0	216.0	214.0
Oct	213.0	211.2	213.0	210.5
Dec	211.5	210.5	212.0	210.5
Jan	211.0	210.5	211.0	211.0
Mar	211.0	210.5	211.0	211.0
May	211.0	210.5	211.0	211.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	262/0	259/0	262/4	261/0
Jul	264/6	262/0	265/2	263/2
Sep	259/0	256/4	259/2	258/0
Dec	257/6	255/6	258/4	257/0
Mar	264/2	262/4	264/6	263/6
May	265/6	264/0	266/6	265/6
Jul	267/0	265/0	268/0	267/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	401/2	406/4	408/0	400/0
Jul	391/2	395/0	394/2	389/0
Sep	398/2	400/0	401/0	396/6
Dec	410/0	411/0	412/4	408/4
Mar	414/4	416/4	416/4	413/4
May	414/0	418/4	416/0	412/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.56	77.40	77.70	77.10
Jun	71.57	71.65	72.10	71.17
Aug	68.57	69.90	69.25	68.25
Sep	69.30	69.65	69.75	69.30
Oct	69.40	69.72	70.00	69.12
Dec	70.62	71.05	71.25	70.30
Feb	71.20	71.40	71.25	70.80
Apr	72.40	72.65	72.40	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.55	40.37	40.95	40.57
Jun	46.87	46.55	46.90	46.22
Jul	45.90	46.07	46.25	46.32
Aug	44.27	44.77	44.97	43.80
Oct	41.46	41.72	42.00	40.90
Dec	43.45	43.60	43.90	42.95
Feb	44.35	44.25	44.45	44.02
Apr	43.35	43.25	43.35	43.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.77	35.35	35.70	34.75
Jul	34.92	35.55	35.80	34.80
Aug	34.05	34.55	34.95	34.00
Feb	49.20	50.70	50.25	48.85
Mar	49.50	50.50	49.75	48.50
May	49.25	49.90	0	48.25
Jul	49.60	51.00	51.00	49.60

LONDON STOCK EXCHANGE

Blue chips close well below day's best

Leading shares continued to make good progress on the London market yesterday helped by a recovery of the pound and a number of buy programmes in the equity market.

Worries about sterling were dispelled somewhat in early trading by the Chancellor of the Exchequer's confirmation that he would use interest rates as necessary to defend sterling. There was, however,some anxiety about the latest reduction in the UK's official reserves, which dropped $1.2bn during March, a figure much higher than the City had expected. This followed the Bank of England's recent repeated efforts to support the currency in the face of a sharply rising dollar.

Account Dealing Dates		
*First Dealings:		
Mar 13	Apr 3	Apr 17
Option Declarations:		
Mar 30	Apr 13	May 4
Last Dealings:		
Mar 31	Apr 14	May 5
Account Day:		
Apr 10	Apr 24	May 15

*New time dealings may take place from 9.00 am two business days earlier

The market opened with good gains, boosted by Wall Street's overnight rise – closing above 2,300 on the Dow-Jones Average was viewed as bullish for London – and yet another steep rise on the Tokyo market. Buying interest was never more than reasonable however, according to dealers, but it was persistent and directed towards front-line stocks, thereby ensuring a sustained early rise by the FT-S-100 index. Having opened with a gain of 7.7, the Footsie progressed to register a jump of 13.1 just after 10 am before easing on the appearance of minor profit-taking.

Business then tended to drop away and only picked up just prior to the opening on Wall Street. The latter made minor early progress but then started to struggle, although holding above the psychologically important 2,300 level. The FT-SE then gradually retreated to only 2.8 higher before steadying late and closing with a 3.2 rise on the day at 2,082.8.

Turnover again disappointed London's dealers, but at 517.2m shares at the close of business it easily topped Monday's 397.1m. Last Friday saw turnover of 631.2m.

The "buy" programmes talked of in the market were said to have included a substantial move into the market by Salomon Brothers, although the US-based securities house declined to confirm it had been behind the early support for the market. Another US house was also said to have been a keen suporter of blue chips during initial exchanges.

Views on the current outlook for UK equities are now divided. Many equity strategists are talking the market higher on the view that the big institutions are underweight going into the new financial year. But others are worried that the Japanese market could have run too far too quickly and that any setback there would have a marked influence on London prices.

There were plenty of features in London yesterday with Consolidated Gold Fields outstanding and finally up 25 at 1348p after unveiling its final defence against Minorco.

New Blue Arrow moves

Excited speculators bought Blue Arrow stock heavily from institutional investors after the revelation that a US group had picked up a 6 per cent stake in the company. Institutions were selling because they remain concerned about the £25m loan which Blue Arrow said on Monday it was trying to recover.

The price moved ahead 3 in the middle of the session only to fall back by the close to end unchanged at 91½p. Turnover was a busy 12m shares. "If the loan were written off, about 3½ should come off the share price," said Mr David Grimbley at UBS Phillips and Drew. "But the stock seems to have been supported at the lower end of its narrow trading range around 90p." There was also marked New York interest after the stake announcement.

Analysts at UBS and at Warburg Securities both said the stakeholder, US fund management group Harris Associates Holdings, was unlikely to be aggressive, although it had a history of arbitrage activity and would not be passive either.

Unigate busy

Dairy group Unigate, where Mr Larry Goodman, the Irish entrepreneur, has a 7.9 per cent stake, turned in another good performance. The shares rose 9½ to 358p as nearly 5m changed hands. The market was full of talk that an Irish buyer had picked up as much as 2m shares during the day, although there was no confirmation that the buyer was either Mr Larry Goodman or Avonmore Creameries, the Irish dairy concern with 2.1 per cent stake of Unigate.

There has been talk of a large bid in the Foods sector for some time, and many observers regard Unigate as one of the more plausible targets; dealers have been carefule not to go short in the stock. The attractions of Unigate to a bidder are relatively clear. Warburg Securities noted that a prospective predator would be attracted mostly by Unigate's UK milk business, the St Ivel dairy product franchise, the group's relatively healthy debt position and its Wincanton distribution operations. "The diversity of the non-foods interests (US restaurants, UK transport, exhibition services, car auctions)," Warburgs went on, "suggests that Unigate is a possible break-up situation."

Lucas Industries returned to favour as BZW bought stock in-house and for retail customers on the view that the fall in the shares had gone too far; earlier this year they were nudging 670p. The persistence of the buying eventually caused a flurry of intra-market business, leading to sharply increased turnover of 1.4m shares and a closing rise in the price of 13 at 618p.

The securities house also came out in favour of Lex Service, the electronics and motor distributor. Specialist salesman, Mr Trevor Wild, thought the shares cheap at current levels before BZW decided yesterday to raise its forecast of 1989 profits from £73m to £77m. The shares ended 11 higher at 378p.

Pharmaceutical stocks moved ahead quickly in early trading, benefiting from further consideration of the merger talks between Beecham and Smithkline Beckman. But they fell with the market and most finished barely changed on the day. The exception was Smith and Nephew which hung on to end 3 up 144p.

The feature among mixed Life insurers was the performance of Sun Life, which closed at 950p, up a net 35 and just off the day's high of 953p. The talk in the market was that French group UAP, with whom Sun Life unsuccessfully attempted an alliance last year, was adding to its 19 per cent stake. However, with turnover barely breaking 204,000 shares one analyst said that if UAP had been picking up stock turnover would have been significantly higher. The sceptical researcher put the rise down to "chunky buying in a thin market."

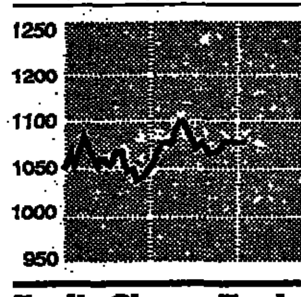
There was a similar lack of direction among Composites, with Sun Alliance down 11 at 1158p ahead of today's figures, and General Accident up 16 at 986p. Although the market is looking for excellent profits from Sun Alliance, dealers said that the expected good results were already in the price so investors were beginning to take profits.

As for General Accident, the Liverpool-based broker Charterhouse Tilney is recommending clients to switch into the stock from Sun Alliance because it believes there is greater potential upside in the former's share price. "The switch is sound on the yield differential between the two stocks and their recent relative performances," said Mr John Marr, the insurance analyst at Tilney.

Among the banks TSB were heavily traded, closing a touch lighter at 116½p as 6m shares changed hands. Dealers reported an aggressive buyer and an equally determined seller around the 116p/117p level.

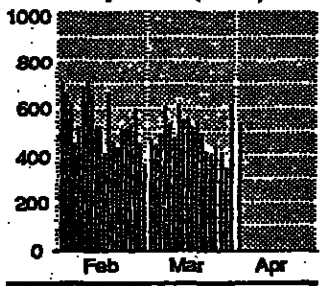
The spotlight continued to illuminate those building issues scheduled to report trading statements later this month. Several recorded outstanding gains with Blue Circle closing 20 dearer at 569p, Tarmac 13 higher at 318p and RMC 10 firmer at 683p. Redland were also involved and rose 10 to 536p while Steetley further responded to Monday's good annual results by advancing 8 more to 437p. In contrast, Watts Blake dipped another 7 to 355p, still influenced by the previous session's preliminary figures and US acquisition. USM-listed Banner Homeswas another casualty at 71p, down 10.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Laporte became all the rage among chemicals, leaping 15 to 449p on good retail support following talk of a chart breakout, and evidence of stock shortages. Wolstenholme Rink also figured prominently, although business was thin, and settled 16 up at 456p.

Stores were quietly traded with most of the interest provided by second-liners such as Dunhill, which closed 8 better at 252p on the sighting in the market of one large buyer of the stock, and Alexandra Workwear, which climbed 5 to 191p after announcing a 24 per cent rise in year-end February profits to £6.27m. Broking house Kitcat & Aitken forecasts that earnings for the current year will grow by a similar amount and will be recommending the stock to its clients.

Guinness fell 8¼ to 429p on turnover of 2.4m shares. There has been good recent demand for the stock ahead of tomorrow's figures (the market is expecting profits in the region of £500m) and on the back of some strong Japanese interest. However, investors appear to be following the advice of analysts who say that there is little potential upside in the price short-term and are taking profits.

The "A" class of Whitbread shares were lifted 8 to 350p by talk of an imminent property revaluation.

Full-year profits 31 per cent better from Meggitt Holdings helped push the stock to 117p, a rise of 10 on the day. Early selling hit Hawker Siddeley, but the shares quickly recovered to close 7 ahead at 658p. "The stock was oversold," said a marketmaker. Final figures are due on April 19.

Rolls-Royce put in a good performance in belated recognition of Monday's airbus orders. The shares closed up 4 at 187p on a turnover of 4.7m shares.

It was the retailers which stole the show among Foods, with large turnover reported in Asda, up 3½ at 149p on 3.3m shares, Gateway, up 2½ at 167p on 3.6m, and Tesco, 5½ better at 160p on turnover of 5.6m shares. Tesco's figures are due next week and the market range of estimates is roughly £260m to £268m. Broking house Hoare Govett believes the supermarket group will beat most expectations and, therefore, has been a buyer of the stock this week.

Security product distributor Gardiner Group put on 4 to 55p on the announcment of its purchase of Bridgend Group's security division for £9.6m in cash – £500,000 more than Bridgend's market value. Bridgend added 5 at 64p.

A big buyer said to be working through two or three different brokers helped UEI to add 10 at 461p, while Index funds continued to sell Amstrad, 2 easier at 138p, amid persistent talk of a downgrading from BZW.

Magnolia Group reported an unexpected jump in year-end profits to £1.5m from £1m and put on 11 to 160p. Further consideration of Eurotunnel's year-end report and subsequent positive comment pushed the share price to equal its all time high of 850p. It settied back by the close to 847p, up a net 20.

Rank Organisation climbed 14 to 916p; dealers said interest was being generated by the company's theme park scheme in France, the forthcoming flotation of Disney's European venture and continuing speculation in the US that Sony may try to buy RCA. Sotheby's jumped 65 to 1415p ahead of first-quarter figures due today.

USM-quoted Hornby, the toy company, rose 8 to 193p after reporting a rise in pre-tax profit to £2.4m from £1.8m. But a 17 per cent improvement in profits at Brammer did not impress the market and the stock slipped 10 to 277p. "The results were a touch below expectations," said a marketmaker. "Although the dividend was unexpectedly raised a ½p, the ensuing analysts' meeting was dull. Brammer is traditionally a yield stock and unlikely to see many sellers," he said.

Waterford Glass moved ahead on renewed talk of a bid, possibly from Guinness. Both classes of shares closed at 85p, the "old" from 73p and the stock units from 74p. Trafalgar House benefited from the general good sentiment in the building sector and added 10 at 374p. After the market closed the company announced it had signed further contracts for development of its joint ventures in the Soviet Union.

Appreciation of Monday's trading statement – several houses accorded the stock either a buy or strong hold recommendation – lifted Pearson 6 further to 722p. United Newspapers, on the other hand, suffered further profit-taking and closed 7 down at 448p.

Sharply increased first-half profits put Shandwick higher to 566p, while ATA Selection rose 5 to 78p on expectations of good annual figures today.

Merlin International, the property group specialising in retail centres, fell sharply after announcing the sale of its Australian interests for £30.5m. With the company also revealing a pre-tax loss of £2.47m for the half year to December 1988, the shares closed 24¼ lower at 117¼p. Speculative buying helped Southend Properties gain 14 at 238p and Randsworth Trust 10 at 272p.

African Lakes shot higher to 110p before closing 18 up on balance at 98p as word went round that 5 per cent of the company's equity had changed hands during the previous week. It is understood, however, that the shares passed into safe hands. Last Friday the company unfolded impressive annual results and a proposed scrip issue.

Excellent full-year profits, £3.9m compared with a restated £2m, drew attention to Boustead. Analysts were quick to revise current year forecasts and the shares rose 4 to 64p behind Hoare Govett's new estimate of £5.1m at least, against £4.7m previously.

The re-opening of the Valdez port in Alaska after the recent oil spillage disaster took some of the steam out of thecrude oil market which was marginally lower at the close.

There were few good performers in the leading oils, although Shell managed to move up a few pence to 390½p on turnover of 5.6m, still buoyed by buy recommendations from at least two top US houses as well as Kleinwort Benson and Kitcat & Aitken of the UK.

Aran Energy, one of the smaller oil groups, were the latest to make a decisive move forward with the shares settling 4 higher at 74p after some concerted buying interest

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

NEW HIGHS AND LOWS

NEW HIGHS (100).
BRITISH FUNDS (1) Treas 9pc 1989, CORPORATION LOANS (1) Manchester 11½pc 2007, LOANS (8) AMERICANS (8) CANADIANS (1) Central Cap., BANKS (8) BREWERS (1) Burtonwood Brew., BUILDINGS (10) CHEMICALS (8) STORES (6) ELECTRICALS (8) ENGINEERING (8) FOODS (2) Dairy Farm, Fii-Fyffes, INDUSTRIALS (30) AIM, Alexandra W'wear, Assoc Brit Ports, BSMEC Inds., Bardon, Bardsey, Beecham, Black Arrow, Boots, Bridgend Grp., Christies Intl., Comp. People, Elga, Elkem AS, Eurotunnel Units, Glaxo, GL Southern, Hay (Norman), Johnston Grp., Jourdan (T.), Magnolia, Metsec, Nestor-BNA, Oriflame, Platignum, Porter Chadburn, Sareo Grp., Sidlaw Grp., SmithKline Beckman, Smith & Nephew, Spring Ram, Swallowfield, Talbex, Waterford Glass, Wyndham, INSURANCE (8) LEISURE (8) MOTORS (3) Bostrom, ERF, Jessups, NEWSPAPERS (4) Blenheim Exhibits., Builder Grp., Mustarlin, Ouarto Grp., PAPERS (8) ATA Select., Carlton Comms., Gold Greenless, Pauning Res., Shandwick, PROPERTY (11) TRUSTS (20) OILS (3) Aran Energy, Gaelic Res., Meridian Oil, OVERSEAS TRADERS (4) African Lakes, Bousted, Gaelic Res., Tozer Kems., MINES (2) Anglesey Ming., New Sabina, THIRD MARKET (4) Kemp (P.E.), M.L.Labs., Medirace, Takare.
NEW LOWS (34).
BRITISH FUNDS (3) Treas. 9pc 1992-96, Exch. 3pc Gas 1990-95, War Loan 3½pc, AMERICANS (1) Corp. Data, BANKS (2) ANZ, Sumitomo Bk., BUILDINGS (3) Banner Homes, Cakebread Robey "A", Jennings, STORES (4) Casket, Church, Penfida, Specialeyes, ELECTRICALS (2) Amstrad, Nesco Invs., INDUSTRIALS (3) PROPERTY (8) TEXTILES (1) Drummond Grp., TRUSTS (4) Dominion Intl., Fashion & Gen., London Forfeiting, Perpetual, OILS (1) Pict Pet., OVERSEAS TRADERS (1) Lonrho, MINES (2) Afro-West, Monarch Res.

FINANCIAL TIMES STOCK INDICES

	Apr 4	Apr 3	Mar 31	Mar 30	Mar 29	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.10	86.81	87.30	87.36	87.78	91.03	89.29 (8/2)	86.65 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.82	98.06	98.32	98.61	98.44	97.56	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1708.4	1706.5	1707.9	1686.7	1705.5	1382.9	1761.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.4	190.9	190.2	190.6	191.5	233.1	198.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Apr 4	Apr 3	Mar 31	Mar 30	Mar 29	Year Ago
Ord. Di. Yield	4.49	4.49	4.50	4.55	4.52	4.64
Earning Yld %(full)	10.85	10.87	10.90	11.02	10.93	12.14
P/E Ratio(Net)(☆)	11.13	11.11	11.08	10.96	11.05	10.06
SEAQ Bargains(5pm)	43,683	37,806	39,767	38,220	34,155	35,682
Equity Turnover(£m)†	-	1095.00	1399.84	1305.69	990.40	862.01
Equity Bargains†	-	45,030	45,659	41,034	39,242	42,336
Shares Traded (ml)†	-	524.7	606.3	547.3	413.6	383.1

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1710.5	1714.3	1712.4	1713.0	1711.4	1710.7	1707.6	1709.8

DAY'S HIGH 1714.7 DAY'S LOW 1707.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.07 †Excluding intra-market business. * Corrected figure.

● S.E. ACTIVITY

Indices	Apr 3	Mar 31
Gilt Edged Bargains	108.4	98.2
Equity Bargains	291.8	295.9
Equity Value	2213.3	2829.0
5 – Day average		
Gilt Edged Bargains	102.0	98.3
Equity Bargains	263.8	245.4
Equity Value	2250.2	2207.8

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,300	150	+3½	Coalite	978	307	-4	Laporte	1,000	449	+15	Royal Bk. of Scotland	522	395	+1
Allied-Lyons	2,000	450		Courtaulds	870	298½	+½	Legal & General	564	321	-1	Royal Insurance	1,600	426	-1
Argyll Group	938	186½	+½	Dalgety	138	354		Lloyds Bank	3,100	359	+4	STC	2,600	317	+5
Ass. Brit. Foods	932	331	+2	Dixons	1,000	156	-2	LASMO	1,100	453	+3	Saatchi & Saatchi	1,000	288	-2
BAA	994	343		Eng. China Clays	4,500	537	+6	Lonrho	2,400	321	-2	Sainsbury	656	225	+½
BAT	3,800	373	-2	Enterprise Oil	680	537	+7	Lucas	1,430	618	+13	Scott & Newcastle	1,700	313	-3
BET	2,200	265	-2	FKI Babcock	843	173	+1	MB Group	506	282	+1	Sears	2,700	122	-1½
BICC	762	495	-5	Fisons	3,900	297		MEPC	567	565	+3	Shell Transport	5,500	390½	+1½
BOC	1,180	512	+2	Gateway Corp.	3,680	167	+2½	Marks & Spencer	3,800	161		Siebe	385	478	+13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LAW REPORTS

No respite from fishing licence system

REGINA v SECRETARY OF STATE FOR TRANSPORT EX PARTE FACTOR TAME LTD AND OTHERS
Court of Appeal
(Lord Donaldson, Master of the Rolls, Lord Justice Bingham and Lord Justice Mann):
March 22 1989

THE PREVALENCE of European Community law over incompatible UK law does not extend to alleged or putative EC rights which are as yet unestablished; and accordingly, as long as it is unclear whether UK legislation for the registration of fishing boats is inconsistent with EC law, that legislation remains paramount under English constitutional law, and must be applied pending determination of the question of incompatibility by the European Court.

The Court of Appeal so held when giving its reasons for allowing an appeal by the Secretary of State for Transport from an interim order made by the Divisional Court on an application for judicial review, restraining him from enforcing licensing legislation against the applicants, Factor Tame Ltd, Rawlings Trawlings Ltd, and 95 other owners of fishing vessels. The order was made pending final judgment in the application, to be given after a ruling by the European Court of Justice as to whether the legislation was incompatible with EC law. The decision to allow the appeal was made on March 16.

LORD DONALDSON MR said that the appeal concerned the Common Market fishing policy.

If stocks of fish were to continue to exist around Europe, some system had to be devised to prevent overfishing. That involved fixing quotas for national fishing fleets, limiting the amount of fish each might catch.

Given a quota for the British fishing fleet, the government was concerned to ensure that all the vessels operating as part of that fleet could properly be regarded as British.

In 1985 new licence conditions were established. The government concluded they were not sufficiently restrictive for the protection of British interests. The Merchant Shipping Act 1988 was enacted empowering the Secretary of State to make regulations introducing a new register of British fishing vessels.

The applicants in the present case were unable or would have great difficulty in complying with the 1988 scheme as formulated under the 1988 Act and the Merchant Shipping (Registration of Fishing Vessels) Regulations 1988.

The Act and Regulations together wound up the register established by the Merchant Shipping Act 1894 and, if valid, might well force the applicants to sell or re-flag their vessels. The applicants took the view that Part II of the 1988 Act, which dealt with registration, and the Regulations, conflicted with European law. They therefore applied for judicial review.

The Divisional Court concluded that to enable it to give judgment on the application, it was necessary to seek preliminary rulings from the European Court of Justice. It granted interim relief pending final judgment by ordering that Part II of the 1988 Act, and the Regulations, should be disapplied in respect of the applicants, so as to continue registration of their vessels under the 1894 Act.

The Secretary of State appealed.

The Solicitor General accepted that the Divisional Court was in no position to dismiss the application for judicial review without first seeking a ruling from the European Court, in that it was not "clear" that the applicants were wrong in their contentions.

If a British court could ascertain the nature and extent of competing UK and EC rights or duties, there was little difficulty in resolving any inconsistency on the basis that EC law was paramount.

That was the acte claire situation. It was a comparative rarity.

More commonly the court could not ascertain the nature and extent of the competing right or duty. It was to meet that problem that the right to seek a ruling by the European Court was provided under article 177 of the EC Treaty.

Part II of the 1988 Act was designed to produce an automatic ending of the 1894 register as from March 31 1989, and an equally automatic creation of the 1988 scheme, subject to a transitional period, the whole process being triggered by the Regulations.

The question was whether the British courts had any power to interfere with the operation of the 1988 Act by modifying its operation or striking it down on a temporary basis, pending a ruling by the European Court.

It was fundamental to the British constitution that it was for Parliament to legislate and for the judiciary to interpret. Any attempt to interfere with primary legislation would be wholly unconstitutional.

Apart from that, there was a well-established principle of British law that the validity of subordinate legislation was presumed, unless and until it had been challenged in the courts and its invalidity had been determined. The position in relation to primary legislation must be the same.

It appeared that the European Court in applying EC law reached the same conclusion. In Granaria, Case 101/78 paragraph 4 it said "every regulation which is brought into force in accordance with the Treaty must be presumed to be valid so long as a competent court has not made a finding that it is invalid."

Accordingly, there was no juridical basis on which interim relief could be granted by the British courts. If the applicants had a remedy it could only be provided by the European Court, either in the form of a ruling on the reference, or by interim proceedings, not yet instituted, by the Commission against the UK Government.

LORD JUSTICE BINGHAM agreeing, said that the case concerned the reconciliation of the EC free market philosophy on which the applicants relied, with the regulatory framework of the common fisheries policy on which the Secretary of State relied.

The question was whether, in the steps taken to ensure that its fishing quota was enjoyed beneficially and not merely nominally by British interests, the UK had contravened the prohibition of discrimination deeply embedded in EC law.

Both sides accepted that the answer was not acte claire. Accordingly, the issue was whether the Divisional Court was entitled to grant the applicants interim relief to protect their interests during the period of perhaps two years which would elapse before the European Court answered the reference.

The Solicitor-General submitted that there was no jurisdiction in the court to disapply an Act of Parliament, unless and until incompatibility with EC law had been established.

The applicants contended that the effect of the European Communities Act 1972 had been to incorporate EC law into UK law, and to ensure that if any inconsistency arose between domestic law and EC law the latter should prevail.

That had been loyally and unreservedly accepted by the English courts (see Siskina [1979] AC 210, 262; Macarthys [1981] QB 180,200).

The Solicitor General accepted that if the European Court's answer to the reference proved unfavourable to him, the Divisional Court would be obliged to give effect to the ruling, even though the 1988 Act had not been repealed.

There was no doubt that was the law. Where EC law was clear the duty of the national court was to give effect to it in all circumstances. Any domestic law which prevented the court from giving effect to directly enforceable rights in EC law would be bad.

To that extent a UK statute was no longer inviolable as it once was.

But the Solicitor General's point was that a statute remained inviolable unless and until it was shown to be incompatible with the higher law of the Community. A statute did not, he argued, lose its quality or inviolability as long as it remained unclear whether it was incompatible with EC law.

That argument was correct.

Before 1973 the court had no jurisdiction to dispense with the operation of a statute. If the court now had such jurisdiction, one must find the source.

The authorities obliged the court to give effect to EC rights, even if that meant dispensing with a statute. But none of the authorities obliged a national court to override its own domestic law in favour of what was no more than an alleged or putative EC right.

If the court was not obliged so to act it was not, as the law now stood, entitled to do so.

There was no such obligation, express or implied, in the Treaty, the 1972 Act, the jurisprudence of the European Court, or in any UK judgment.

If the European Court were to rule that EC law obliged or entitled national courts to override national laws where necessary or desirable for the protection of claimed but unestablished EC rights, the situation would be different.

Unless and until such ruling was given the court was bound to hold that it had no jurisdiction to grant the interim relief.

Lord Justice Mann agreed with both judgments.

The appeal was allowed. Leave was given to appeal to the House of Lords. No interim order was made pending that appeal.

For the Secretary of State: Sir Nicholas Lyell QC, Solicitor General, John Mummery and Christopher Vajda (Treasury Solicitor)
For Factor Tame and the other owners except Rawlings: David Vaughan QC, Gerald Barling and David Anderson (Thomas Cooper & Stibbard)
For Rawlings: Nicholas Forwood QC (Thomas Cooper & Stibbard)

Rachel Davies
Barrister

APPOINTMENTS

Changes at Thorn EMI Research

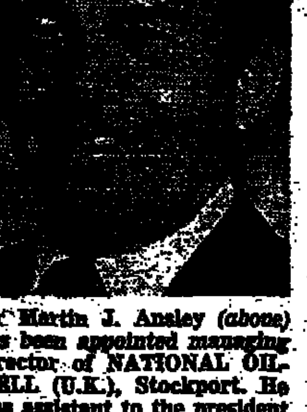
■ THORN EMI has made the following changes. Dr Ken Gray, technical director, will co-ordinate technological innovation throughout the group. Professor Gareth Roberts, director of research, will formulate long-range plans for product innovation. He will retain his professorship at Oxford University and manage the company's laboratory there. Mr Steve Bates has been appointed director of the central research laboratories. He was assistant director, systems group, at the laboratories. The board of Thorn EMI Research now comprises Dr Gray as chairman and chief executive, Professor Roberts, Mr Bates and Mr Jeff Wynne, director of the new business ventures unit.

■ Sir Frederick Wood, life president of CRODA INTERNATIONAL, has retired as a non-executive director, and Mr J.F.G. Emms retires as a non-executive director on April 30. Mr J.D. Lloyd has been appointed a non-executive director. He was with Shearson Lehman Securities.

■ The new board of SUTCLIFFE SPEAKMAN will be Mr John Bellak, chairman; Mr Nicholas Wilkes, chief executive; Mr David Warburton, financial director; and Mr David Rogers, Mr Stephen Wilkes and Mr Bob Burnett, directors. Mr Ken Shea continues as a main board director until after the annual meeting, when he will become executive chairman of Sutcliffe Croftshaw Engineering.

■ Mr Peter Tomlinson has become non-executive chairman of G.F. TOMLINSON GROUP, Derby, and Mr Barry Seward has been appointed managing director.

■ Mr David Farnsworth has been appointed an executive director of the WELSH DEVELOPMENT AGENCY to take charge of its new development projects division. He was a development executive with the Ladbroke Group.



Mr Martin J. Ansley (above) has been appointed managing director of NATIONAL OILWELL (U.K.), Stockport. He was assistant to the president of Armco Inc in the US, one of National Oilwell's parent companies.

■ Mr Victor Smith has been appointed assistant general manager, property and project finance, with THE MITSUI BANK, London. He was an assistant director with Banque Paribas in London.

■ Mr Alan Tate has been appointed president of the INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS. He is a partner of Healey and Baker.

■ Mr Mike Anthony, managing director, UK and Europe for SEI, has been elected president of THE PENSIONS MANAGEMENT INSTITUTE. Elected vice presidents are Mr Norman Braithwaite, director, William M. Mercer Fraser, and Ms Anne Wood, group pensions manager, Storehouse; Mr Neil Watts, director, Noble Lowndes Pensions, becomes honorary treasurer.

■ EMAP VISION has appointed Mr Roger Green and Mr Terry Denham as publishing directors.

■ BRIDPORT-GUNDRY has appointed Mr Graham MacSporran as group finance director. He was financial director of Appledore and Ferguson Shipbuilders, a subsidiary of British Shipbuilders.

Lloyds Bank international director

Mr John Davies, (above) a senior general manager, has been promoted to director of international banking at LLOYDS BANK following the retirement of Mr Len Kingshott.

■ C.E. HEATH has appointed Mr Michael Kier as a group managing director responsible for broking activities; Mr Peter Presland becomes a group managing director responsible for the rest of the group's activities.

■ Mr J.A. Findlay and Mr J.J. Tigue have been appointed assistant directors of FOREIGN & COLONIAL MANAGEMENT.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1200)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	47.32	47.83	50.88	-0.4	5.39
Gilts & Fixed Int	6	111.70	111.70xd	118.60	....	8.43
High Inc Equity	6	129.70	132.80xd	141.2	+0.8	4.50
Worldwide Bond	6	188.50	188.50xd	199.80	-0.6	4.85
Capital Growth						
American Growth	6	160.30	162.50	172.80	-2.0	1.67
Asian Pacific	6	86.26	88.11	93.73	-0.53	0.92
Assets & Earnings	6	159.10	159.10	170.20	-2.6	2.19
Capital Reserve Acc	0	84.06	84.06xd	84.11	+0.17	4.76
Comdty & Energy	6	96.39	99.36xd	105.70	-0.5	0.00
1992 Enterprise	6	55.02	56.03	59.60	+0.29	3.02
European Capital	6	79.37	79.96	85.06	+0.27	0.88
General	6	173.00	173.00xd	185.1	-1.0	2.43
Japan	6	107.60	109.50	116.40	+0.2	0.00
Mastertrust	6	80.88	80.88	86.51	-1.09	1.86
UK Growth Acc	6	197.80	206.20	219.30	+0.3	1.28
UK Growth Dist	6	131.90	137.60xd	146.30	+0.2	1.92
US Emerging Cos	6	46.78	48.42	51.50	-0.41	0.00
Income & Growth	6	288.20	294.60	313.30	+2.5	3.27
Ethical	6	48.71	49.88	53.06	+0.25	2.36
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
American	5¼	–	–	–	....	–
Australian	5¼	–	–	–	....	–
European	5¼	56.61	56.61	60.43	+0.45	0.00
Extra Income	5	42.11	42.11xd	44.96	+0.11	4.42
Fund Inv Tst	5	116.7	116.7xd	124.6	+0.50	1.96
Do Accum	5	177.9	177.9xd	189.9	+0.70	1.96
Gilt & Fixed Int	5¼	21.82	21.82xd	23.29	-0.14	10.06
Global Income	5¼	–	–	–	....	–
Income & Growth	5¼	71.85	71.85xd	76.70	+0.16	3.69
Japan	5¼	186.0	186.0	198.6	-0.50	0.00
Nth Amer Inc (z)	5	26.61	26.61xd	28.40	-0.35	4.38
Special Situations	5¼	70.97	70.97xd	75.77	+0.18	0.87
UK Growth	5	36.21	36.21xd	38.65	+0.20	2.53
World Gwth	5	46.95	46.95	50.12	+0.12	0.44
Formerly Scottish Funds Management Ltd						
American Majors	5¼	–	–	–	....	–

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
General Inc	5	303.6	303.6	321.1	+0.1	2.13
(Accum Units)	5	505.0	505.0	534.0	+0.1	2.13
Income	5	153.6	158.9	168.6	-0.3	3.63
(Accum Units)	5	299.6	303.7	322.2	-0.4	3.63
International	5	115.2	115.2	121.8	-0.5	1.50
(Accum Units)	5	157.0	157.0	166.0	-0.8	1.50
Smaller Co's	5	112.6	115.5	122.5	+0.4	0.89
(Accum Units)	5	123.1	126.3	134.0	+0.4	0.89
Inv Portfolio	2½	53.13	55.01	56.71	+0.14	3.30
(Accum Units)	2½	54.09	56.01	57.74	+0.14	3.30
High Income Port	3	48.18	48.35	50.10	-0.05	7.00
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Stk Dtd Gilt & FI	1¼	52.45	52.45xd	53.20	+0.02	11.37
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	53.46	54.31	58.09	-0.03	2.70
Global Tst	5½	41.32	41.47	44.35	-0.07	2.30
Recovery Tst	5½	55.11	57.32xd	60.98	-0.24	2.61
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	106.4	107.8	113.7	+0.7	3.47
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	53.55	53.55xd	56.96	-0.36	0.71
CS International	5	54.00	54.00	57.44	-0.28	1.98
CS Japan	5	122.7	122.7	130.5	-0.3	0.32
CS Portfolio Inv $	5	70.93	70.93xd	75.45	-0.14	1.68
Canada Life Unit Tst Mngrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	137.5	142.7	150.2	+0.90	3.08
Do Gen Accum	5	229.5	238.0	250.5	+1.40	3.08
Do Income Dist	5	94.94	98.65	103.8	+0.10	5.42
Do Inc Accum	5	213.3	221.7	233.4	+0.40	5.42
Gilt & Fxd Int	5	36.42	36.55	38.48	+0.07	8.34
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5½	37.34	37.87	40.29	+0.14	2.54
Income	5½	46.97	47.81	50.86	-0.11	4.09
Far East $	5½	34.84	35.49xd	37.76	-0.14	0.17
North American $	5½	29.25	29.71xd	31.61	-0.48	0.66
Global $	5½	48.49	49.37xd	52.52	+0.10	0.65
European	5½	47.66	48.39xd	51.48	+0.53	1.04
Japan $	5½	100.7	102.4	108.9	+0.50	0.01
Intl Currency Bd	5½	41.43	41.43xd	43.95	-0.14	6.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✠ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital & Equity	5	63.69	66.34	70.57	+0.12	5.65
European	5	60.36	60.81	64.69	-0.04	0.26
Far Eastern	5	56.10	56.17	59.75	-0.15	1.01
Growth Inc	5	89.28	92.50xd	98.49	-	2.48
Growth Acc	5	89.35	92.50xd	98.49	-	2.48
Income Inc	5	81.89	83.82	89.17	+0.11	3.59
Income Acc	5	81.89	83.82	89.17	+0.11	3.59
Property Share	5	55.79	55.79	59.45	+0.18	0.12
Smaller Co's	5	63.24	63.24	67.27	+0.13	1.75
Formerly RBC Trust Managers Ltd						
Nth American	5	54.41	54.41	58.18	-0.40	1.87
International	5	43.59	43.59	46.61	+0.42	1.52

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AV 01-588 0592

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	94.88	94.88	99.88	+1.36	5.92

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602258

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Yorkshire General	5¼	62.10	64.42	68.53	+0.06	5.01
YGTM UK Emg Inc Tst	5¼	59.88	61.96xd	65.91	+0.82	4.62
YGTM Intl Grwth Tst	5¼	47.07	47.07xd	50.25	+0.14	1.09

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Exec Feb 15	1428.8	445.31	----	-

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund Mar 31	498.00	----	4.76
Fxd Int Sec Mar 31	142.20	----	10.08
Deposit Mar 31	100.00	----	12.56

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Income Mar 31	472.94	----	5.05

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep. Acc.	257.1	270.7	-	-
Equity Acc.	823.5	866.9	+2.7	-
Property Acc.	485.5	511.1	-	-
Far East Acc.	197.1	207.5	+0.5	-
European Acc.	21.0	22.2	+0.3	-
Managed Acc.	651.3	685.4	+1.4	-
Managed Cap.	370.5	390.1	+0.9	-
O'seas Earnings Acc.	547.5	576.2	+4.0	-
Gilt Edged Acc.	313.6	330.2	-1.0	-
American Equity Acc.	410.5	432.2	-1.8	-
American Man. Acc.	191.6	201.7	-0.9	-
American Prop Acc.	139.7	147.1	-	-
Pen. F.I. Dep. Cap.	283.1	298.0	+0.2	-
Pen. F.I. Dep. Acc.	481.6	507.0	+0.2	-
Pen. Prop. Cap.	568.9	598.9	-	-
Pen. Prop. Acc.	1068.9	1125.2	+0.1	-
Pen. Man. Cap.	799.9	842.1	+3.1	-
Pen. Man. Acc.	1502.4	1581.5	+5.9	-
Pen. Gilt Edg. Cap.	313.7	330.3	-0.8	-
Pen. Gilt Edg. Acc.	481.6	507.0	-1.1	-
Pen. Eq. Cap.	1310.9	1379.9	+7.2	-
Pen. Eq. Acc.	1866.0	1964.3	+10.4	-
Pen. Am. Eq Cap.	130.9	137.8	-0.9	-
Pen. Am. Eq Acc.	156.9	165.2	-1.1	-
Pen. Far East Cap.	235.9	248.4	-0.9	-
Pen. Far East Acc.	283.1	298.1	-1.0	-
Pen. Euro Cap.	23.7	25.0	+0.1	-
Pen. Euro. Acc.	25.6	27.0	+0.1	-
Pen. B.S. Acc.	525.9	553.7	+0.3	-
Pen. B.S. Cap.	317.7	335.6	-	-
Pen. D.A.F. Acc.	368.9	388.9	+0.1	-
Pen. D.A.F. Cap.	250.2	250.2	+0.1	-
Pen. Mortgage Cap.	142.1	149.6	+0.1	-
Pen. Mortgage Acc.	170.5	179.5	+0.1	-
Pen Equ Cap.	27.1	28.6	-	-
Pen Equ Acc.	28.1	29.6	+0.1	-
Pen Am Eq Cap.	28.3	30.1	-0.3	-
Pen Am Eq Acc.	29.5	31.1	-0.4	-
Pen Far East Cap.	29.5	31.1	-0.1	-
Pen Far East Acc.	30.5	32.2	+0.1	-

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Inv Tst Fd.	51.0	56.0	----	-
Risk & Reward Bond	175.0	185.0	----	-
Money Market Fd.	127.0	134.0	----	-
Investment Strategy Fd.	110.0	116.0	----	-
Predator Fd.	87.0	92.0	----	-
Flagship Fd.	109.0	115.0	+1.0	-
Ivory & Sime Pens Fd.	128.0	135.0	----	-
Risk & Reward Pens Fd.	169.0	178.0	----	-
Murray J'stone Pens Fd.	164.0	173.0	----	-
Inv Strategy Pens Fd.	140.0	148.0	----	-
Predator Pens Fd.	119.0	126.0	+1.0	-

City of Westminster Assurance (z)
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU

	Bid Price	Offer Price	+ or -	Yield Gross
Current Series				
Property Fund	185.5	195.3	+0.0	-
Secure Gwth Fund	262.5	276.4	+0.1	-
Managed Fund	500.3	526.7	-1.6	-
Equity Fund	395.7	416.6	-1.4	-
Fixed Interest Fund	163.0	171.6	-0.7	-
Far East Fund	293.2	308.7	+2.0	-
North American Fund	128.0	134.8	-1.4	-
Natural Resources Fund	218.1	229.6	+0.1	-
Pension Managed Fund	534.1	562.3	-1.0	-
Pension Equity Fund	425.0	447.4	-7.8	-
Pensions Fixed Int.	166.9	175.7	-0.8	-
Pensions European	123.4	129.9	-0.5	-
Pensions Intl.	121.8	128.3	-0.9	-
Pens Adventurous Mgd.	173.9	183.1	-0.8	-
Pens Balanced Mgd.	164.7	173.4	-0.5	-
Pens Conservative Mgd.	160.0	168.5	-0.2	-
Adventurous Mngd Fd.	199.9	210.5	-0.6	-
Balanced Mngd Fd.	188.6	198.6	-0.2	-
Conservative Mngd Fd.	186.4	196.3	-0.3	-
European Fund	133.7	140.8	-0.1	-
International Fund	161.4	169.9	-1.0	-

For other prices please telephone 0908 690888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Devonshire Life
29 Glasshouse St., W1R 5RG

	Bid Price
Managed	157.1
World Growth	119.4
UK Equity	181.8
UK Small Companies	177.6
European	112.8
Far Eastern	216.7
Nth American	103.2
Fixed Interest	128.3
Index Linked Stks	137.9
Money	114.9
Pen Managed	198.5
Pen World Growth	118.1
Pen UK Equity	262.7
Pen UK Small Cos	236.9
Pen European	99.2
Pen Far Eastern	274.8
Pen Nth American	98.5
Pen Fixed Interest	145.1
Pen Index Lnkd Stks	144.0
Pen Money	128.8

Eagle Star Insurance Co
Bath Road, Cheltenham GL53 7L

	Bid Price
Secure Fund	120.0
Blue Chip Fund	159.6
Performance Fund	176.0
Adventurous Fund	170.7
Pensions Secure	118.1
Pensions Blue Chip	128.0
Pensions Performance	115.1
Pensions Adventurous	116.0
Pensions With Profits	124.5

Eagle Star Insur./Midland
60 St. Mary Axe, London EC3

	Bid Price
Eagle/Mid. Units	190.0

Economic Insurance Company

INSURANCES

Continued on next page

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	99	Treas 9½pc Cnv 1989	99	......	–	–
99¼	97	Treas 3pc 1989	99¼	+	3.02	10.20
99	99	Treas 10½pc 1989	99	......	10.55	12.51
99	98	Exch 10pc 1989	99	+	10.08	12.43
99	99	Exch 11pc 1989	99	......	11.08	12.45
97	95	Treas 5pc 1986-89	97¼	+	5.14	10.44
99½	99	Exch 10¼pcCv '89	99	–	10.31	11.13
101	100	Treas 13pc 1990‡‡	100	+	12.90	11.90
99	99	Exch 11pc 1990‡‡	99¼	+	11.09	11.94
101	100¼	Exch. 12¼pc 1990	100	+	12.44	11.92
93¼	91	Treas. 3pc 1990	93½	......	3.22	9.74
96	95½	Treas 8¼pc 1987-90‡‡	96	+	8.59	11.87
98	96	Treas. 8pc Cv 1990 ‡‡	96½	......	8.29	10.96
98	97	Treas. 10pcCv 1990	97	+	10.22	11.58
90	87	Exch 2½pc 1990	89½	......	2.79	9.55
101	100	Treas 11¾pc 1991	100¼	+	11.70	11.47
91	89	Funding 5¾pc '87-91‡‡	91½	–	6.28	10.58
88½	86	Treas. 3pc 1991	87	–	3.42	9.60
100	97	Treas 10pc Cv '91 ‡‡	97	+	10.22	11.10
101	99	Exch. 11pc 1991	99	......	11.06	11.23
94	92	Treas. 8pc 1991	92	+	8.62	11.18
106	104	Treas 12¾pc 1992‡‡	104	+	12.22	10.89
99½	97½	Treas 10pc 1992	97	+	10.24	10.98
94	91	Treas. 8pc 1992 ‡‡	92	+	8.65	10.97
100¼	98	Treas 10½pc Cv 1992‡‡	98¼	+	10.62	10.94
85	82¼	Treas. 3pc 1992	83	–	3.59	9.00
105	103	Exch. 12¼pc '92	103	+	11.82	10.93
109¼	107	Exch 13½pc 1992	107¼	+	12.57	10.86
94	92	Treas 8¼pc 1993	92¼	+	8.95	10.76
100	97	Treas 10pc 1993‡‡	98	+	10.20	10.60
108¼	105	Treas 12½pc 1993‡‡	106¼	+	11.77	10.65
87¼	85½	Funding 6pc 1993‡‡	86¼	–	6.94	9.82
113¼	110	Treas 13¾pc 1993‡‡	111¼	+	12.37	10.63
94¾	91	Treas. 8½pc 1994	92	+	9.21	10.58
117	114	Treas 14½pc 1994‡‡	115	+	12.59	10.45

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	110	Exch 13½pc 1994	110	+	12.16	10.63
100¼	97	Treas. 10pc Ln. 1994‡‡	98¼	+	10.18	10.43
110¼	107	Exch. 12½pc 1994	107	+	11.62	10.61
96	93	Treas 9pc 1994‡‡	94	+	9.55	10.38
108	105¼	Treas 12pc 1995	105	+	11.32	10.57
79	75¾	Exch 3pc Gas 90-95	75¾	......	3.96	8.14
101	98	Exch. 10¼pc 1995	99	+	10.35	10.45
113	110	Treas 12¾pc 1995‡‡	110	+	11.50	10.42
119	115¾	Treas. 14pc '96	116	+	12.03	10.55
97½	93¼	Treas. 9pc 1992-96‡‡	95	+	9.47	9.99
126	122	Treas 15¼pc 1996‡‡	123½	+	12.36	10.48
117	113½	Exch 13¼pc 1996‡‡	113	+	11.64	10.44
101	97	Conversion 10pc 1996	98	+	10.18	10.32
118½	114½	Treas 13¼pc 1997‡‡	114¾	+	11.54	10.41
104	100	Exch 10½pc 1997	101	+	10.40	10.30
95	91	Treas 8¾pc 1997‡‡	92	+	9.47	10.11
128	124	Exch 15pc 1997	124	+	12.02	10.52
100	96¼	Exch. 9¾pc 1998	97	+	10.00	10.18
84	81	Treas 6¾pc 1995-98‡‡	81	+	8.24	9.79
134	129	Treas. 15½pc '98‡‡	130½	+	11.88	10.36
113	109	Exch. 12pc 1998	110	+	10.88	10.28
100¼	96	Treas 9½pc 1999‡‡	97	+	9.77	9.94
115	111	Exch. 12¼pc 1999	112	+	10.91	10.24
105	101½	Treas. 10½pc 1999	102¼	......	10.27	10.14
104	99	Conversion 10¼pc 1999	100¼	+	10.17	10.13
94	90¼	Treas. 8½pc Ln 2000‡‡	90	+	9.35	9.87
97	93	Conversion 9pc 2000‡‡	94	+	9.57	9.89
122	117	Treas. 13pc 2000	118	......	11.01	10.25
103	99	Treas 10pc 2001	100	+	9.97	9.94
124	120	Treas. 14pc '98-01	120	+	11.61	10.44
102	97	Conversion 9¾pc 2001	98	+	9.86	9.90
113	109	Exch. 12pc '99-02	110	+	10.88	10.30
104	100	Conversion 10pc 2002	101	+	9.87	9.81
102	98	Treas 9¾pc 2002	99	+	9.77	9.77
97	93	Exch. 9pc 2002	94	+	9.50	9.69
126	122	Treas. 13¾pc 2000-03	122	......	11.19	10.27
105	101	Treas 10pc 2003	102	+	9.77	9.68
113	108	Treas. 11½pc 2001-04	109	+	10.48	10.07

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
106	102	Treas. 10pc 2004	103	+	9.70	9.60
59	57	Funding 3½pc '99-04	58	+	5.99	8.37
102	98	Conversion 9½pc 2004	99	+	9.52	9.53
103	98	Conversion 9½pc 2005	99	+	9.51	9.51
111	107	Exch. 10½pc 2005	108¼	+	9.69	9.47
125	120	Treas. 12½pc 2003-05	121	+	10.31	9.74
90	86	Treas. 8pc 2002-06‡‡	88	+	9.09	9.41
105	101	Conversion 9¾pc 2006	102	+	9.48	9.41
118	114	Treas. 11¾pc 2003-07	115	+	10.20	9.72
96	92¼	Treas 8½pc 2007 ‡‡	93	+	9.12	9.27
134	129	Treas. 13½pc '04-08	129	+	10.39	9.66
101	96	Treas. 9pc 2008 ‡‡	98	+	9.18	9.22
92	88½	Treas 8pc 2009	89¼	+	8.96	9.16
102	98½	Conv 9pc Ln 2011 ‡‡	98	+	9.09	9.10
68	66	Treas. 5½pc 2008-12‡‡	66	–	8.30	8.96
89	86¼	Treas. 7¾pc 2012-15‡‡	86	–	8.90	9.05
132	127	Exch. 12pc '13-'17	128¼	......	9.36	9.11

BRITISH FUNDS—Contd

Undated

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Korea International Trust

PFC Internat'l Portfolio

PRS International

Pacific Growth Fund

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Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	130p	♥ABM Gold Corp ‖	142p	+5	–	–	–
17½p	4½p	♥Abbot Energy Corp.	17¼p	–¼	–	–	–
13¾	902p	♥Amer Barrick Res.	12⅞	–1/16	–	–	–
3¼p	2⅛p	♥Amer Lightwave ‖	2½p	...	–	–	–
19½p	12¼p	♥Armeno	17¼p	+2¼	–	–	–
109p	94p	♥Asiamerica ‖	108p	...	–	–	–
33¼p	23p	♥Augmitto Expln.	23¼p	–1	–	–	–
14⅝	12¾	Bk. Montreal ‖	14⅛	+⅛	$2.12	–	7.2
762p	655p	Bk. Nova Scot. ‖	717p	–8	84c	–	5.6
18¼	17	BCE ‖	18¼	–⅛	$2.44	–	6.4
768p	570p	♥Bow Valley‖	766p	–2	♦40c	–	2.5
14¼	12⅛	♥Brascan‖	13¼	–⅛	88c	–	3.2
228p	184p	♥Breakwater Res.	185p	–2	10c	–	2.6
13¾	11⅛	Can. Imp Bank‖	12⅝	–⅛	$1.16	–	4.3
12¼	997p	Can. Pacific ‖	11⅛xd	–¼	76c	–	3.2
38½	38½	Do 4pc Deb £100	38½	..	4%	–	10.4
482p	374p	Central Capital "A" ‖	482p	+1	–	–	–
448p	340p	♥Corona Corp	414p	–10	–	–	–
373p	228p	♥Cons TVX Min	346p	–4	–	–	–
48½p	19½p	♥Danbn. Mem Syst. ‖	23¼p	–1½	–	–	–
633p	524p	♥Derlan Inds ‖	612p	–12	11.75c	–	0.9
953p	751p	♥Echo Bay Mines	865p	–28	$0.07	–	0.4
572p	370p	♥ECO Corp ‖	457p	+8	–	–	–
16¼p	9½p	♥Energex Minerals‖	10⅛p	–⅛	–	–	–
234p	203p	♥Galactic Resources	225p	–2	–	–	–
330p	243p	Gandalf Techs Inc.	246p	–3	–	–	–
54½p	34p	♥Geodome Res	35½p	–½	–	–	–
183p	150p	Granges Expln‖	153p	+1	–	–	–
27½p	6p	♥Gt Pacific Res.	16⅞p	+⅞	–	–	–
779p	651p	♥Gulf Canada‖	723p	–26	52c	–	3.5
12⅝	10¼	♥Hawker Sid Can‖	12⅞	–⅛	$1.08	–	4.2
536p	348p	♥Henlys Group	494p	–5	–	–	–
13¾	11½	♥Hudson's Bay ‖	13¼	–1/16	60c	–	2.2
28¾	23	♥Imperial Oil‖	26½	–⅝	$1.80	–	3.3
18⅞	14½	Inco‖	16¾	–⅝	s$0.80	–	2.8
662p	599p	♥Inland Nat. Gas $1	655p	–7	60c	–	4.4
150½p	102p	♥Madeleine Mines	146p	+1	–	–	–
193p	163p	♥Muscocho Expln.	178p	+3	–	–	–
126p	85½p	♥Nevada Goldfields	116p	–1	–	–	–
12¼	10⅞	♥Rio Algom	11¼	–⅛	$1.30	–	5.3
19¾	17¼	Royal Bk Can. ‖	19½	–¼	$2.20	–	5.4
41½	33½	Seagram‖	40¼	–¼	US$1.40	–	2.0
112p	74½p	♥Sonora Gold Corp‖	96p	–9	–	–	–
85p	33p	♥Spiral Eng ‖	79p	+5½	–	–	–
109p	73p	♥Tara Pure Tech. Corp‖	94p	–1	–	–	–
19½	16⅛	Toronto-Dom. Bk. ‖	18⅜	–⅛	$1.12	–	2.9
799p	686p	♥Trans Can Pipe	791p	–8	68c	–	4.1
183p	154p	Varity Corp‖	158p	–3	B–	–	–

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INSURANCES

LEISURE

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LEISURE—Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
73	45	Grampian TVA 10p	62		†2.5	2.6	5.4	9.6
28	20	Greenwich Comm	21	+1	—	—	—	—
126	85	HTV Ord	116xd	+5	†h3.9	3.9	4.7	7.2
192	139	Hunimex A$0.25	162xd		†Q15c	4.7	4.5	4.8
136	112	Hi-Tec Sports	117		13.6	3.4	4.1	8.5
20	13	Int'l Media Comm. 5p	15	−½	—	—	—	—
76	65	Juliana's Hldgs 2p	72		†2.85	1.4	5.3	15.8
58½	41½	Kunick 10p	58½	+1½	1.4	2.4	3.2	16.5
212	157	LWT 5p	181xd	−3	†5.7	3.4	4.2	9.1
*117	86	Leisure Inv 10p	105		1.75	1.4	2.2	(32.0)
*96	80	Leisuretime Int 10p	91		—	—	—	—
538	343	Marlon Dev. 50p	458		†u2.0	3.5	0.6	90.4
200	159	Mecca Leisure 10p	193	+1	4.5	♦	3.1	♦
130	108	Medminster 10p	111xd	−1	†3.67	2.6	4.4	11.7
199	131	Metro Radio Grp 5p	189		L3.0	2.3	2.1	22.8
251	172	Midsummer Leis 10p	236	−1	2.8	3.3	1.6	24.4
525	433	Miss World 10p	511		8.0	2.6	2.1	24.9
37	23	Molinare Vision 50p	25	−1	—	—	—	—
*145	117	Noble Raredon 5p	135	−2	g1.33	1.5	1.3	35.4
250	113	Orient Ex Hlds $0.125	258	+13	—	—	—	—
*88	78	Owners Abroad 3p	82	+1	2.35	♦	3.8	♦
142	107	Pavilion Leisure 10p	115	+8	—	—	—	—
336	175	P'dilly Radio NV5p	336	+2	†3.25	2.6	1.3	40.0
240	215	Pickwick	219		3.25	♦	2.0	♦
129	113	Prestwich	114	−1	†1.25	7.5	1.5	12.2
144	134	Prism Leisure 10p	134	−2	†4.46	2.6	4.4	11.3
*249	211	Quadrant Group 10p	239	−2	F3.6	3.4	2.0	20.4
510	322	Radio City 'A' NV	483		6.0	4.2	1.7	19.1
331	240	Radio Clyde	325		5.75	2.9	2.4	19.6
625	524	Really Useful Grp 5p	625		†15.0	2.3	3.2	18.3
306	227	Saga Group 20p	302	−1	25.75	1.2	2.5	54.7
84	84	Scott. Ice Rink 2½p	84		—	—	—	—
468	369	Scott. TV 10p	422	−4	†17.0	3.0	♦	8.4
20½	12½	SelecTV 1p	17	−½	—	—	—	—
*269	226	Stanley Leisure	247	−3	†3.6	3.8	1.9	17.9

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr
151	129	Allied London 10p	147		2.75	3.2
132	113	Do. 5¼pc Cnv Red Pref	120xd	−1	5¼%	—
213	152	Arlington Sec 10p	204		6.0	3.2
180	153	Asda Property 20p	174	+1	†1.0	5.8
134	121	Do 5½pc Cn Rd Pf	133	+1	5½%	—
74	53	BDA Hldgs. 10p	72		†2.5	3.8
127½	89½	BHH Group 50p	127½xd	+5	4.0	♦
230	190	Baker Hrrs Snds10p	230		†6.25	3.1
98	80	Barlows 10p	85		0.75	0.3
130	130	Billingsgate City	130		5.9	—
526	454	Bilton (Percy)	519	−3	†13.98	1.3
680	615	Bradford Prop	680		†12.5	4.4
256	224	Bredero Props	256xd	+2	6.0	♦
128	91	Britannia Grp. 5p	115		13.85	2.9
381	326	British Land	372	+3	†4.0	4.8
422	331	Brixton Estate	381	−1	†7.8	1.5
204	154	Broadwell Ld 50p	202	−1	L4.1	2.6
525	470	Brookmount	520	+10	†5.25	4.7
50	50	Caledonian Tst 20p	50		♦	
405	348	Capital & Counties	400	+2	10.5	1.8
102	86	Do 5½pc Pref	102	+1	5.75%	—
148	121	Cap. & Reg. Prop	146	−2	10.3	7.1
430	395	Cardiff Prop 20p	405	+5	2.05	1.5
860	790	Chesterfield	848		†14.5	2.0
121	109	Do. 5.25% Cv. Cm. Pf.	117	−1	5.25	—
228	171	Christie Grp 2p	227		13.5	3.1
313	280	City Gate Ests	308		L8.25	0.9
308	278	Do. 5¼pc Cv Rd Pf	303		3.75	—
237	195	Citygrove 10p	213xd		7.5	♦
118	107	Do. 7¾pc Cm Cv Rd Pf	118		7¾%	—
240	210	City Site Estates	230	+5	1.34	10.8
215	166	Clarke Nickolls	212	+2	4.5	6.2
310	235	Clayform Props 5p	310xd	+7	9.5	♦
78	46	Do. Warrants	78	+1	—	—
850	800	Compco Hldgs 20p	850		9.0	2.5

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
40	35	Ayer Hitam $M1	40		kQ53.3d	0.7	‡
		For Geevor see Mines (Miscellaneous)					
63	38	Gopeng Berhad M$0.50	63		Q10c	♦	3.4
615	83	Jantar 12½p	127	−4	♦	—	—
67	47	Malaysia Mng. 10c	63		Q5c	♦	1.7
155	120	Petaling $M1	150		Q87c	1.0	12.3
110	90	Sungei Besi $M1	110		Q70c	1.4	13.5
90	90	Tanjong 15p	90		—	—	—

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p γ	91	−1
Craig & Rose £1 γ	720	
Finlay Pkg. 5p γ	93	+2
Holt (Jos) 25p γ	3280	

IRISH

Stock	Price	+ or −
Cap. 8¾% Ln. 1991	£100¾	
9pc Cap Ln. 1996	£101	
Fin. 13% 97/02	£120½	
Arnotts	465	
Carrol (P.J.) γ	152	+2
Hall (R. & H.)	145	
Helton Hldgs γ	78	
Irish Ropes	162	

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	34
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	20
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	30
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	50

Oils

Stock	p
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Stock	p
Cons Gold	100
Lonrho	38
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

THE DOLLAR lost ground in nervous trading yesterday, failing to move over DM1.8750 but holding above a key support level at DM1.8640. The determination of the Group of Seven nations to maintain dollar stability was sufficient to encourage many investors to take profits and retreat to the sidelines.

The weaker tone meant that central banks stayed away from the market place, but traders are under no illusions that a further attempt to break through DM1.8900 will prompt dollar sales by the central banks, including the Bank of Japan which intervened on Monday for the first time since 1985.

The US unit opened at just below DM1.87 but edged up to a high of DM1.8735 soon after the start of trading in New York. However, the slightly firmer trend was reversed after comments by Mr Pierre Beregovoy, the French Finance Minister. Speaking in Washington after the IMF/Group of Seven meeting, Mr Beregovoy stressed that a further rise in the dollar would hinder the correction of global trade imbalances and trigger competitive interest rate increases.

The dollar touched a low of DM1.8640 before recovering to finish at DM1.8700, still down from DM1.8820 on Monday. It was also lower against the yen at Y130.90 from Y132.05. Elsewhere, it finished at SFr1.6315 from SFr1.6480 and FFr6.3100 compared with FFr6.3525. On Bank of England figures, the dollar's exchange rate index fell from 68.5 to 67.9.

The dollar now seems likely to stay within a fairly narrow band until the next key pointer on the economy, US employment data, which is due on Friday.

Sterling opened on a firmer note as investors took heart from comments by Mr Nigel Lawson, the UK Chancellor, that any serious risk of a fall in sterling would not be acceptable, and that there would be no hesitation by the authorities in increasing interest rates to defend the pound, as and when necessary.

UK interest rates were slightly lower yesterday as sterling's exchange rate index improved to 95.6 at the close, up from an opening level of 95.4 and 95.0 at the close on Monday.

The pound rose to $1.7065 from $1.6860 and DM3.1900 compared with DM3.1725. It was also higher against the yen at Y223.50 from Y222.75. Elsewhere, it finished at SFr2.7850 from SFr2.7775 and FFr10.7675 from FFr10.7100.

The D-Mark moved up slightly against the French franc to finish at FFr3.3745 in London against FFr3.3720 at the Paris fixing. However, there was little change from the close on Monday of FFr3.3750. Nevertheless, the D-Mark gained underlying support from a weaker dollar, and news that the Bundesbank's latest sale and repurchase tender has no minimum bid rate.

Average exchange rates for major currencies against the dollar in March were: sterling 1.7137; the D-Mark 1.8648; and the Japanese yen 130.36.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5900	+2.67	+0.94	±1.5344
Danish Krone	7.85212	8.10550	+3.23	+1.50	±1.5404
German D-Mark	2.05853	2.08209	+1.14	-0.59	±1.0981
French Franc	6.90403	7.02054	+1.69	-0.04	±1.3674
Dutch Guilder	2.31943	2.34800	+1.23	-0.50	±1.5012
Irish Punt	0.768411	0.780424	+1.56	-0.17	±1.6684
Italian Lira	1483.58	1527.17	+2.94	+1.92	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr.4	Latest	Previous Close
£ Spot	1.7090-1.7100	1.6925-1.6935
1 month	0.48-0.47pm	0.40-0.37pm
3 months	1.39-1.36pm	1.15-1.10pm
12 months	3.72-3.65pm	3.00-2.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.4	Previous
8.30 am	95.4	94.9
9.00 am	95.5	94.9
10.00 am	95.4	94.9
11.00 am	95.4	94.9
Noon	95.4	94.9
1.00 pm	95.4	94.9
2.00 pm	95.5	94.9
3.00 pm	95.4	94.9
4.00 pm	95.6	95.0

POUND SPOT- FORWARD AGAINST THE POUND

Apr.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6995-1.7105	1.7060-1.7070	0.42-0.39cpm	2.85	1.17-1.13pm	2.70
Canada	2.0195-2.0285	2.0255-2.0265	0.18-0.07cpm	0.74	0.45-0.29pm	0.73
Netherlands	3.58¾-3.60¼	3.59¼-3.60¼	2-1⅞cpm	6.45	5⅝-5⅛pm	5.97
Belgium	66.50-66.85	66.75-66.85	30-27cpm	5.12	82-78pm	4.79
Denmark	12.37¾-12.42	12.41-12.42	4⅝-4⅛orepm	4.23	13⅜-12⅝pm	4.19
Ireland	1.1920-1.1980	1.1955-1.1965	0.55-0.50ppm	5.27	1.48-1.38pm	4.78
W. Germany	3.18¼-3.19½	3.18¾-3.19¾	1⅞-1¾pfpm	6.82	5¼-5pm	6.35
Portugal	261.95-263.70	262.70-263.70	24-13cpm	0.84	17-105dis	-0.93
Spain	197.55-198.55	197.55-197.85	23-12cpm	1.06	41-29pm	0.71
Italy	2333-2342½	2338½-2339½	3-1lirepm	1.03	6-4pm	0.86
Norway	11.55¼-11.59¼	11.58¾-11.59¾	1⅝-1⅜orepm	1.62	4⅝-4⅛pm	1.51
France	11.72-10.77¾	10.76¾-10.77¾	4¼-3¾cpm	4.46	11¼-10⅞pm	4.11
Sweden	10.83¾-10.87	10.86-10.87	1⅝-1⅜orepm	1.73	4⅝-4⅛orepm	1.61
Japan	222½-224	223-224	1¾-1⅝ypm	9.06	4⅝-4½pm	8.17
Austria	22.24-22.43	22.40-22.43	12⅝-11⅝gropm	6.49	34⅞-32⅞pm	6.00
Switzerland	2.77¾-2.79¾	2.78-2.79	1⅞-1⅝cpm	7.27	4⅞-4⅝pm	6.91

Belgian rate is convertible francs. Financial franc 66.95-67.05. Six-month forward dollar 2.05-2.00cpm 12 months 3.04-2.96cpm

CURRENCY RATES

Apr.4	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.770275	0.653442
U.S Dollar	7	1.29229	1.11164
Canadian $	12.39	1.53757	1.32029
Austrian Sch.	4	17.1900	14.6469
Belgian Franc	7.75	51.1618	43.5900
Danish Krone	7½	9.50156	8.10550
Deutsche Mark	4	2.44462	2.08209
Neth.Guilder	5.00	2.75581	2.34800
French Franc	9½	8.24352	7.02054
Italian Lira	13½	1792.37	1527.17
Japanese Yen	2½	171.616	145.791
Norway Krone	8	8.87028	7.55913
Spanish Peseta	-	152.025	129.450
Swedish Krona	8½	8.30813	7.08668
Swiss Franc	4	2.14326	1.82030
Greek Drach.	20½	N/A	176.661
Irish Punt	-	N/A	0.780424

*All SDR rates are for Apr.3

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6995-1.7105	1.7060-1.7070	0.42-0.39cpm	2.85	1.17-1.13pm	2.70
Ireland†	1.4235-1.4295	1.4265-1.4275	0.31-0.36cdis	-2.82	0.89-0.99dis	-2.64
Canada	1.1860-1.1895	1.1875-1.1885	0.19-0.23cdis	-2.12	0.56-0.62dis	-1.99
Netherlands	2.1010-2.1125	2.1075-2.1085	0.56-0.54cpm	3.13	1.82-1.79pm	3.43
Belgium	39.00-39.25	39.10-39.20	9.00-6.00cpm	2.31	28.00-18.00pm	2.36
Denmark	7.26-7.29¼	7.27¼-7.27¾	0.95-0.70orepm	1.36	2.95-2.60pm	1.53
W. Germany	1.8640-1.8735	1.8695-1.8705	0.64-0.62pfpm	4.04	1.76-1.73pm	3.73
Portugal	153.95-154.40	153.95-154.05	30-50cdis	-3.11	115-165dis	-3.63
Spain	115.75-116.56	115.75-115.85	17-20cdis	-1.91	55-60dis	-1.98
Italy	1368-1374	1370¼-1371¼	1.70-2.20liredis	-1.71	5.90-6.50dis	-1.75
Norway	6.78-6.80	6.78¾-6.79¼	0.60-0.80oredis	-1.24	1.75-2.05dis	-1.12
France	6.29-6.31½	6.30¾-6.31¼	0.87-0.82cpm	1.61	2.47-2.32pm	1.52
Sweden	6.35½-6.38	6.36½-6.37	0.55-0.65oredis	-1.13	1.75-2.00dis	-1.18
Japan	130.60-131.15	130.85-130.95	0.67-0.65ypm	6.05	1.82-1.79pm	5.52
Austria	13.13½-13.17¼	13.14-13.14½	4.20-3.80gropm	3.65	11.60-10.40pm	3.35
Switzerland	1.6265-1.6390	1.6310-1.6320	0.62-0.60cpm	4.48	1.77-1.75pm	4.31

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.20-39.30.

CURRENCY MOVEMENTS

Apr.4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.6	-16.5
U.S Dollar	67.9	-9.8
Canadian Dollar	102.7	-0.3
Austrian Schilling	106.6	+9.8
Belgian Franc	105.8	-6.3
Danish Krone	102.9	-1.9
Deutsche Mark	112.6	+20.3
Swiss Franc	105.6	+14.3
Guilder	110.0	+13.0
French Franc	99.7	-15.0
Lira	97.3	-20.3
Yen	148.4	+79.5

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100) **Rates are for Apr.3.

EURO-CURRENCY INTEREST RATES

Apr.4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¼-12⅛	12⅛-12⅜	12⅞-12⅞	13⅛-13⅛	13⅛-13⅛	13-12⅞
US Dollar	9⅞-9⅞	9⅞-9⅞	10-9⅞	10⅛-10⅛	10½-10⅜	10⅞-10¾
Can. Dollar	12-11¾	11¾-11½	11¾-11½	12⅛-11⅞	12⅛-12¼	12¾-12½
D. Guilder	6⅝-6½	6½-6⅜	6½-6⅜	6¾-6⅝	6⅞-6⅞	7⅛-7⅛
Sw. Franc	5⅝-5⅛	5⅝-5⅜	5⅞-5⅞	5⅞-5⅞	6⅛-6	6⅛-6⅛
[illegible]						

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

Apr 4	£	$
Argentina	84.8380-85.0340	49.7000-50.0000
[illegible]		
Luxembourg	66.75-66.85	39.10-39.20
Malaysia	4.6845-4.6955	2.7470-2.7490
Mexico	4083.50-4103.50	2393.00-2403.00
N. Zealand	2.7640-2.7690	1.6200-1.6230
Saudi Ar.	6.3985-6.4090	3.7500-3.7510
Singapore	3.3235-3.3290	1.9485-1.9505
S. Af (Cm)	4.3410-4.3525	2.5455-2.5470
S. Af (Fn)	7.0245-7.1720	4.1150-4.2015
Taiwan	45.90-46.10	27.25-27.35
U.A.E.	6.2650-6.2760	3.6725-3.6735

*Selling rate

FINANCIAL FUTURES

Fall in reserves hits confidence

SHORT STERLING for June delivery edged slightly higher in the last few trades on Liffe yesterday, to close at 87.05, compared with 87.04 on Monday. This was regarded as a disappointing performance, in a subdued and quiet market however.

The mood appears to have changed significantly recently, and traders were not prepared to become more enthusiastic about the future prospects for UK interest rates, in spite of a better performance by sterling on the foreign exchanges.

Dealers questioned how far sentiment would have moved against sterling instruments, but for the improvement by the pound. Remarks by Mr Lawson, the Chancellor, about determination to defend sterling were regarded as an attempt by the authorities to talk the currency higher without spending more in foreign reserves.

Publication of the March reserve figures came as something of a shock. The market realised the Bank of England had supported the pound recently, and it was expected the reserves last month had fallen by $250m to $400m, but not by as much as the published figure of $1.2bn.

This was regarded as a blow to hopes that bank base rates can be held at 13 per cent, with dealers warning that loss of confidence in the pound could soon lead to a rise to 14 per cent. A key support point for short sterling is at 86.92, and if confidence continues to fade an early test of this level appears to be likely.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
93	315	417	3	15
94	221	328	9	26
95	133	244	21	42
96	55	202	43	100
97	28	131	116	129
98	14	102	202	200
99	7	45	259	243

Estimated volume total, Calls 1008 Puts 756
Previous day's open int. Calls 22151 Puts 17987

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	652	709	4	21
84	457	527	9	39
86	307	356	23	104
88	142	239	58	151
90	43	139	159	251
92	14	59	330	407
94	4	31	520	543

Estimated volume total, Calls 10 Puts 0
Previous day's open int. Calls 1951 Puts 1799

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

[illegible]

7-10 YEAR 9% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	213.70
Sep	[illegible]			218.20

THREE MONTH EURODOLLAR

[illegible]

US TREASURY BONDS 8%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND

[illegible]

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6958	1.6972	1.6916	1.6792
Sep	1.6830	1.6880	1.6830	1.6702
Dec	1.6784	1.6840	-	1.6652

CHICAGO

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6171	0.6185	0.6162	0.6137
Sep	0.6233	0.6251	0.6230	0.6203
Dec	0.6305	0.6315	0.6305	0.6272

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	298.65	299.40	298.49	299.50
Sep	303.00	303.65	303.00	303.90
Dec	307.30	-	307.30	308.20

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk N East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.75		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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MONEY MARKETS

London rates ease

THERE WAS a slight softening of interest rates in London yesterday, as the market responded to a stronger pound and comfortable day-to-day credit conditions.

Comments by Mr Nigel Lawson, the Chancellor, about raising interest rates if sterling should fall, had a paradoxical impact on the money market, helping to encourage the softer tone because the pound was in effect being talked higher.

UK clearing bank base lending rate 13 per cent from November 25

Three-month sterling interbank eased to 13⅛-13 per cent from 13⅛-13 per cent and 12-month to 13-12⅞ per cent from 13⅛-13 per cent. Credit was in free supply in the market, helping to keep seven-day money soft at 12¼-12⅛ per cent.

The Bank of England initially forecast a money market credit surplus of around £100m, but revised this to a flat position at noon, and back to a surplus of £100m in the afternoon.

There was no action by the authorities in the morning, but in the afternoon the Bank of England absorbed part of the surplus by selling £50m Treasury bills, due today, at rates of 12⅛-12¼ per cent

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £148m. This factor was outweighed by Exchequer transactions adding £75m to liquidity, a fall in the note circulation of £65m and bank balances above target of £110m.

In Frankfurt call money was steady at 5.90-6.00 per cent, after the West German Bundesbank offered liquidity to the banking system via a two-tranche securities repurchase agreement tender. The central bank set a 27-day facility and a 57-day facility, at no minimum bid rate. Two earlier agreements totalling DM37.5bn expire today.

The move to a variable rate rate tender is expected to produce rates above the 5.80 per cent paid for recent fixed rate pacts, but was not regarded as a sign that the Bundesbank is tightening its credit stance. Dealers do not foresee any change in key interest rates at tomorrow's central bank council meeting.

In Brussels the Belgian National Bank cut the rate on four-month paper, issued by the Securities Regulation Fund, by 0.05 per cent to 8.25 per cent. Rates on one-month; two-month and three-month Treasury certificates were left at 7.90 per cent; 8.10 per cent and 8.20 per cent respectively

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.4) 3 months US dollars		6 months US Dollars	
bid 10⅛	offer 10¼	bid 10⅜	offer 10½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	10⅞-½
Fed.funds	9⅞
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.92	Three year	9.47
Two month	8.99	Four year	9.44
Three month	9.18	Five year	9.37
Six month	9.34	Seven year	9.28
One year	9.47	10-year	9.20
Two year	9.52	30-year	9.05

Apr.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.90-6.00	5.90-6.05	6.15-6.30	6.35-6.50	6.70-6.85	6.00
Paris	8⅛-8½	8⅛-8½	8½-8⅝	8⅝-8⅝	8⅞-8⅞	7.25
Zurich	4⅞-5⅛	5⅞-5⅛	-	5⅞-5⅞	-	-
Amsterdam	6.56-6.68	6.45-6.55	-	6.65-6.75	-	-
Tokyo	4⅛-4⅞	4⅞-4⅞	-	4⅞-4⅞	-	-
Milan	12⅞-12⅞	11⅞-12⅛	-	12⅛-12⅛	-	-
Brussels	6.30	7⅛-7⅞	-	8⅛-8⅛	-	-
Dublin	7¼-7½	7¾-8	7¾-8⅛	8-8¼	8⅛-8¼	-

LONDON MONEY RATES

Apr.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	12⅝	12⅞	13⅛	13⅛	13
Interbank Bid	6	12⅛	12⅝	12⅞	12⅞	12⅞
Sterling CDs	-	-	12⅞	13	13	12⅞
Local Authority Deps.	12⅛	12½	12⅝	12⅞	12⅞	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	12⅞	12⅞	12⅝	12⅞	-	-
Company Deposits	-	-	12⅞	13	13⅛	12⅞
Finance House Deposits	-	-	12⅞	13⅛	13⅛	12⅞
Treasury Bills (Buy)	-	-	12⅞	12⅝	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	13	-
Dollar CDs	-	-	9.95	10.12	10.35	10.70
SDR Linked Dep Offer	-	-	8¼	8⅜	8⅞	9
SDR Linked Dep Bid	-	-	8	8⅛	8⅝	8¾
ECU Linked Dep Offer	-	-	8⅝	8⅞	9⅛	9⅜
ECU Linked Dep Bid	-	-	8⅜	8⅝	8⅞	9⅛

Treasury Bills (sell); one-month 12⅞ per cent; three months 12⅜ per cent; Bank Bills (sell): one-month 12½ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.3940 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1989. Agreed rates for period April 26,1989 to May 25, 1989, Scheme I: 13.90 p.c., Schemes II & III: 14.37 p.c. Reference rate for period March 1 to March 31, 1989, Scheme IV&V: 13.068 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from April 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988, Deposits withdrawn for cash 5 per cent.

EUROPEAN OPTIONS EXCHANGE

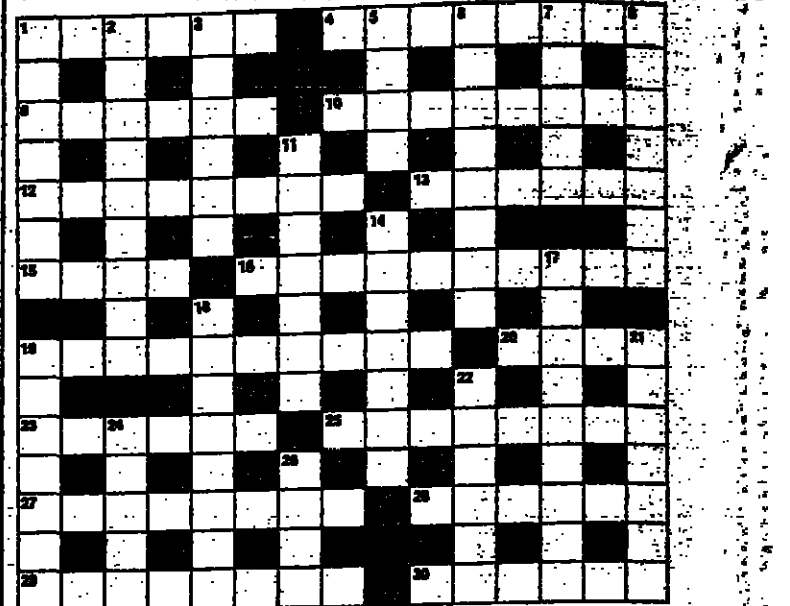
[illegible]

TOTAL VOLUME IN CONTRACTS [illegible]

A=Ask B=Bid C=Call P=Put

CROSSWORD

No.6,901 Set by VIXEN



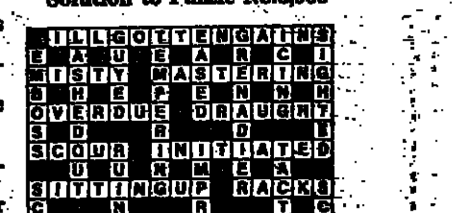
ACROSS

1 Sound axiom for accommodating a good man (6)
4 Rose caused offence (8)
9 Force accepting a tribute (6)
10 Biscuits or nuts? (8)
12 A European schoolboy can get round the school-head (8)
13 There's hash for the girl (6)
15 Some soldiers will go on so when irritated! (4)
16 Place with a railway still (10)
19 Ill-advised, imprudent, etc. insider dealing (10)
20 Not all of the peers wear a sword (4)
23 In a heavy-weight's favour? Just a little bit (6)
25 Purchase the pupil always has time to make (8)
27 A far from modest flower opening (8)
28 Having to lie about one's fight (6)
29 Reserving a space for advertising display (8)
30 Making a fabulous creature pull over (6)

DOWN

1 Hold back a note and newsmen will be after it! (7)
2 Broadcast involving car tested unsatisfactorily (9)
3 Missing the sunrise in the Greek capital (6)
5 Features in really fearsome horror-stories (4)
6 "Courage mounteth with ....." Shakespeare (8)
7 Some naturally act incisively (5)
8 Dicky does try to finish (7)
11 The torch-bearer's requirement (7)
14 Put forged notes into circulation, so it's said (7)
17 A very quiet area of London which is most attractive (9)
18 Not all the same to a dress designer (8)
19 Challenge a trouble-maker over every one (7)
21 The football team's right to occupy flat (7)
22 A shooting star of remote origin (6)
24 Dramatic music (5)
26 Caught and bolted a quantity of fish (4)

Solution to Puzzle No.6,900



JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA · FRANCE (continued) · GERMANY (continued) · ITALY (continued) · SWEDEN · BELGIUM/LUXEMBOURG · NETHERLANDS · SWITZERLAND · DENMARK · NORWAY · SOUTH AFRICA · FINLAND · SPAIN · FRANCE · ITALY · GERMANY

[illegible]

JAPAN · AUSTRALIA (continued) · HONG KONG · AUSTRALIA · SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices April 4

[illegible]

383 Carena	$24½	24½	24½	+ ½
1000 Cascades	$8½	8¾	8⅝	+ ⅛
301 Celanese	$32¼	32¼	32¼	
105983 Cen Capital	$12¼	12⅛	12⅛	+ ⅛
170338 CenCap A	$10	9¾	10	+ ¼
1700 CenFd A	$5¾	5⅝	5⅝	
4485 C Guar Tro	$20½	20¼	20¼	− ¼
14800 Imp Oil A	$53½	53¼	53¼	− ⅜
270258 Inco	$33⅝	33	33¼	− ½
4350 Inland Gas	$13⅛	13⅛	13⅛	− ⅛
50500 Innopac	$11½	11¼	11½	+ ⅛
185148 Inter City	$23⅛	22⅞	23⅛	+ ⅛
850 Interhome	$45½	45¼	45½	+ ⅛
4770 Intl Thom	$16⅛	16	16	
61471 Placer Dm	$15⅞	15¾	15⅞	
38500 Poco Pet	$7⅛	7	7	
15493 Powr Cor f	$15⅛	14⅞	15⅛	
1800 Powr Fin	$17½	17½	17½	− ¼
1287 Provigo	$10⅛	10	10⅛	+ ⅛
3400 Quebcor A	$19⅛	19	19⅛	+ ⅛
174700 Ranger	$7	7	7	
800 Weston	$37⅜	37⅜	37⅜	− ¼
24 Woodwd A	$5	5	5	
253 Xerox Can	$20	20	20	+ ⅛

f–No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	April 4	April 3	Mar 31	Mar 30	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2298.20	2304.80	2293.62	2281.34	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.73	87.65	87.59	87.44	89.62 (8/2)	87.35 (23/3)	–	–
Transport	1057.89	1061.77	1060.16	1027.98	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.80	184.39	184.03	181.84	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2314.88 (2317.45) Low 2282.44 (2284.09)

STANDARD AND POOR'S	April 4	April 3	Mar 31	Mar 30	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	295.31	296.39	294.87	292.52	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial(latest)	340.14	341.29	339.42	336.86	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.94	28.01	27.83	27.57	28.01 (3/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	165.95	166.43	165.63	164.38	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	329.19	329.47	328.31	325.47	332.52 (16/3)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	407.18	407.65	406.73	404.56	409.51 (16/3)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar 17	Mar 10	Mar 3	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.70	3.35
	Mar 15	Mar 8	Mar 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.23	2.94
S & P Indl. P/E ratio	13.17	13.04	12.68	15.35

TRADING ACTIVITY

† Volume Millions	April 4	April 3	Mar 31
New York	160.680	165.772	170.960
Amex	11.356	10.021	10.777
OTC	(u)	122.531	125.012

NEW YORK	April 4	April 3	Mar 31
Issues Traded	1,954	1,967	1,951
Rises	639	852	1,030
Falls	831	622	413
Unchanged	484	493	508
New Highs	55	85	76
New Lows	39	25	34

CANADA

TORONTO	April 4	April 3	Mar 31	Mar 30	1989 High	1989 Low
Metals & Minerals	3258.8	3289.6	3327.7	3282.2	3564.9 (6/2)	3207.5 (3/1)
Composite	3552.6	3562.2	3578.2	3561.0	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1769.96	1770.40	1785.74	1735.32	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
SmithKline	3,953,080	65⅝	+ ¼	Lockheed	2,173,800	47⅝	− 2⅛
Illinois Power	3,730,000	14⅛	+ ⅛	Ford Motor	1,857,200	48⅝	− ¼
Tandem Comp	3,262,200	24⅞	− 2¼	Exxon	1,816,800	43¾	.. ..
Burlington	2,567,900	50⅛	+ 1⅛	Tribune	1,551,800	44½	− 3½
IBM	2,336,700	107⅛	− 1⅞	Genentech	1,446,400	18½	+ 1⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 4	Apr. 3	Mar. 31	Mar. 30	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1433.0	1452.0	1459.6	1467.0	1551.7 (31/1)	1433.0 (4/4)
All Mining (1/1/80)	658.3	668.2	673.2	680.3	727.0 (26/1)	654.6 (16/2)
AUSTRIA Credit Aktien (30/12/84)	292.36	290.07	285.34	280.14	292.36 (4/4)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	5749.10	5740.30	5710.18	5688.37	5834.01 (10/2)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	(u)	292.09	292.07	289.62	292.09 (3/4)	275.49 (27/2)
FINLAND Unitas General (1975)	798.6	793.4	791.8	784.0	798.6 (4/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	451.0	446.8	445.0	446.3	457.3 (6/2)	417.9 (4/1)
Ind. Tendance (30/12/88)	106.3	105.4	104.9	104.6	108.1 (3/2)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	562.72	561.57	553.97	552.12	569.27 (8/2)	535.78 (27/2)
Commerzbank (1/12/53)	1673.1	1669.7	1646.9	1641.5	1705.6 (5/1)	1595.7 (27/2)
DAX (30/12/87)	1339.79	1344.35	1322.66	1315.47	1371.10 (5/1)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2991.96	2987.21	3004.98	2980.76	3209.96 (9/2)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	607.49	605.96	608.32	608.92	615.89 (17/1)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	33312.25	33042.07	32838.68	32826.1	33312.25 (4/4)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2483.01	2467.52	2469.15	2456.23	2490.07 (8/2)	2366.91 (6/1)
NETHERLANDS CBS Ttl.Rtn.Gen.(End 1983)	230.2	230.7	229.3	228.5	230.7 (3/4)	208.3 (3/1)
CBS All Shr (End 1983)	184.2	184.5	183.4	182.7	184.5 (3/4)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	612.09	615.51	608.06	598.36	615.51 (3/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1193.25	1187.27	1189.78	1190.80	1194.63 (29/3)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1616.0‡	1596.0	1586.0	1592.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2480.0‡	2465.0	2460.0	2427.0	2480.0 (4/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	291.25	287.63	282.75	280.93	291.25 (4/4)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	3892.0	3890.9	3870.6	3876.3	3892.0 (4/4)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	659.2	659.8	658.4	657.6	659.8 (3/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	505.8	503.4	500.8	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 4 April 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Heavy	122.9m	1,080	+98	Asahi Chemical	35.9m	1,380	+10
Nippon Steel	113.2m	985	+37	Fujita	35.1m	2,220	+60
IHI	78.8m	1,360	+80	NKK	34.9m	945	+11
Kobe Steel	78.7m	925	+40	Marubeni	34.4m	1,020	+30
Kumagai	47.1m	2,020	+40	Nisshin Steel	31.3m	1,490	uch

4pm prices April 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
29	21¼	AAR	.44	1.6	18	338	28	27½	27¾	-⅜
10⅛	8⅞	ACM n	1.01	12.		148	8⅞	8⅝	8¾	+⅛
11⅞	10¼	ACMIn	1.28a	12.		680	10¾	10½	10⅝	+⅛
10⅛	8½	ACM M	n1.01	11.		167	9	8⅞	9	
11¾	10⅛	ACM Sc	1.26	12.		1605	10⅝	10½	10⅝	+⅛
10⅛	8¾	ACMSp	n.85a	10.		696	8½	8⅜	8½	+⅛
5¼	2⅞	AMCA	.12e	3.3		20	3⅝	3⅝	3⅝	
6⅞	3⅛	AM Intl				1012	5¾	5⅝	5¾	+⅛
28⅛	18⅛	AM Int pf	2	8.8		45	23	22¾	22¾	
62¼	39	AMR			8	2412	59¾	58⅞	59½	-⅜
9⅞	4⅝	ARX				29	4⅞	4⅝	4⅝	
47	35¼	ASA	3a	7.2		240	42	41¾	41¾	
20⅛	14¾	AVX	.24	1.4	8	88	17½	17¼	17⅜	-⅛
55	42⅞	AbtLab	1.40	2.6	16	2120	54⅛	53⅞	54	
19	15⅞	Abitibi g	1			286	16½	16¼	16½	+⅛
13⅞	7½	AcmeC	.40	3.9		20	10⅝	10¼	10¼	
30⅛	20¼	Acuson			24	287	28½	28⅛	28½	+⅛
16⅞	14¼	AdaEx	1.82e	13.		165	14⅝	14½	14½	
16⅞	7⅛	AMD			10	2365	8⅞	8⅜	8½	-⅛
43½	28⅝	AMD pf	3	9.2		159	32⅞	32½	32⅝	
8⅝	6½	Adobe				36	7½	7⅜	7½	+⅛
18¼	16½	Adob pf	1.84	11.		1	17⅛	17⅛	17⅛	
21⅛	20	Adob pf	2.40	12.		2	20⅝	20⅛	20⅝	
9¾	5⅞	Advest	.12	1.7	18	29	7	6⅞	6⅞	-⅛
52½	39½	AetnLf	2.76	5.4	9	2802	51	50½	50⅞	
44½	24	AfilPb s	.32	.5		865	42½	42	42⅛	-⅜
18¼	13¼	Ahmans	.88	5.0	9	3643	17½	17⅛	17½	+½
[illegible]										

Continued on Page 45

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										
		XTRA pf1.94		6.7		133	28¾	28¼	28½	+ ⅛
3⅜	2	Zapata				292	2⅝	2⅜	2⅝	+ ⅛
27⅞	16⅞	Zayre	.40	1.8	172	2821	25⅝	25⅜	25½	+ ¼
15½	11	Zemex	.40	3.6	23	4	11¼	11⅛	11⅛	
30	16½	ZenithE			80	4092	18⅛	17¾	18	− ⅝
10¾	8⅝	ZenInc	.69e	7.3		106	9⅝	9½	9½	
2¾	1	vjZenLb				320	2	1⅞	1⅞	− ⅛
21⅝	15	ZenNtl	.80b	4.4	9	178	18⅝	18⅛	18⅜	+ ⅛
19¾	13	Zero	.44	2.4	15	17	18⅝	18	18⅛	− ⅜
29¼	19	Zurnin	.68	2.4	16	128	28⅞	28⅛	28⅞	
11⅛	9⅛	Zweig	1.07e	9.8		318	10⅞	10⅝	10⅞	+ ⅛
10⅛	8⅞	ZweigT	n.24e	2.7		879	9	8⅞	9	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PlyGem	.12	10	104	13⅝	13½	13⅝	
Presd B		118	50	4⅝	4½	4⅝	+ ⅛
Presd A	.10		26	5	4⅞	5	
PresCm	.06e	1	44	7⅛	6⅞	6⅞	− ⅛
[illegible]							
Hlwat	2.84	8	189	16	15⅞	16	
Heico	.10	16	98	12⅛	12	12	− ⅛
HollyC s	.32	10	130	38	37⅞	38	+ ⅛
HomeSh		27	8696	u 8⅛	5⅞	6⅛	+ ⅛
Hormel	.44	14	119	22⅛	21⅞	21⅞	− ⅛
HouOT	.11e		314	1⅞	1⅞	1⅞	
−I−I−							
ICH		10	1029	4⅞	4½	4⅞	+ ⅛
IGS	.34	14	33	6½	6½	6½	
[illegible]							
−O−P−Q−							
OEA		13	2	29	29	29	
OdetA		36	12	6⅛	6	6	− ⅛
OhArt	.24	17	120	23⅞	23⅛	23⅞	+ ⅞
OOkiep	1.17e		60	9⅛	9	9	− ⅛
PallCp	.48	18	495	28⅞	28⅛	28⅛	− ⅛
PegGld	.10e	16	519	11⅝	11⅜	11⅜	− ⅛
PerinIC	.80	47	19	33¾	33¾	33¾	− ⅛
PitDsm	.56e	5	6	26⅛	25⅞	25⅞	+ ⅛
Pittway	1.80	13	15	103½	103½	103½	
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices April 4

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WhelTch		22 88	23¼	23	23⅛	+ ⅛
Whlclub		19 381	u11⅞	11⅝	11⅝	− ⅛
Willaml	1.45	7 453	47⅛	46⅛	46⅞	
WilmTr	1	11 58	34⅞	34⅛	34⅛	− ½
WiserO	.40	63 237	17⅛	16⅞	17	+ ⅛
Wolohn	.28	11 20	20⅞	20⅛	20⅛	− ⅛
WolvEx		142	7	6⅞	6⅞	− ⅛
Worthg	.48	14 169	22	21⅞	22	
Wyman	.80	19 2144	15⅛	15⅛	15⅛	
−X−Y−Z−						
XL Dta s		17 1061	19⅛	18½	19	+ ⅛
XOMA		398	17	16⅝	16⅝	
Xicor		9 367	7½	7⅜	7⅜	− ⅛
YelowF	.78	11 177	27⅝	27⅜	27⅝	− ⅛
ZionUt	1.44	37	23½	22⅞	23	− ½
Zycad		42	3⅞	3⅝	3⅞	+ ⅛

AMERICA

Timid Dow eyes dollar movements

Wall Street

A LACK of fresh economic news kept equities trading in a tight range yesterday with a bias towards weakness, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 6.60 lower at 2,298.20 on only moderate volume of 160.7m shares.

Like the US Treasury bond market, stocks tended to track movements in the dollar, with currency policy at centre stage after the weekend meeting of the Group of Seven and its strongly worded official statement warning that it did not want to see a higher dollar.

That statement was followed up yesterday by comments from Mr Pierre Beregovoy, French economics minister, who repeated that G7 did not want a higher dollar.

The US currency's performance has been rather resilient considering the tone of the G7 statement – more forceful than the usual anodyne release after meetings – and the coordinated intervention of Monday, which included dollar sales by the Bank of Japan.

The dollar's ability to hold up in spite of these pressures has helped keep both bonds and stocks steady. The US currency started off weak yesterday after Mr Beregovoy's comments but managed to hover just above its lows in late trading. It was quoted in New York at Y130.95 from a low of Y130.60 and at DM1.8690 from DM1.8625 earlier.

This week is likely to be uneventful as markets, which have now partly digested the implications of the G7 meeting, sit it out until Friday's release of jobs and wages figures for March. After that news, the wait will be for the March producer and consumer prices data on April 14 and 18 respectively.

Apart from the fact that there was no fundamental economic news yesterday or much in other financial markets to influence trading, the equity market had some reason to be cautious after its rise of 61.76 points over the previous six sessions which once again lifted the Dow above 2,300.

Breadth of buying and volume over this string of gaining sessions (apart from the day when the Dow fell by 0.18 point) has not been all that encouraging, and the rally on Monday was helped considerably by a speculative froth around rumoured takeover candidates.

This helped some individual issues again yesterday. For example, there was the news that Mr Harold Simmons, the investor, has purchased stakes in four companies which promted speculation that he may try to acquire one of them.

Phelps Dodge, the largest copper producer in the US, rose \$2⅝ to \$56 on the New York Stock Exchange and PACCAR gained \$¾ to \$48¾ in over-the-counter trading. Lockheed, which Mr Simmons now has a 5.3 per cent stake in, dropped \$2 to \$47¾ having risen sharply on Monday and Chrysler, the fourth company, fell \$⅛ to \$24⅝.

Analysts explained the only selective gains of Mr Simmon's new stable of investments by arguing that PACCAR and Phelps Dodge were most like his previous investments which had tended to concentrate in cyclical industries.

The technology sector was under pressure yesterday after Tandem Computers said that it expected revenue for the quarter ended March to be below analysts' forecasts. Tandem dropped \$2⅝ to \$14¾.

Among other computer issues, Compaq slipped \$1 to \$69⅝, Hewlett-Packard fell \$⅝ to \$51⅛ and SunGard Data Systems dropped \$⅛ to \$13¾ after the company, which provides disaster recovery services for computers, said that IBM would begin offering the same service.

Whirlpool dropped \$⅝ to \$27⅝ after Mr Albert Suter resigned as president and chief operating officer after only eight months.

Canada

Uncertainty about the economy and scepticism about the Government's pledge to cut the deficit saw stocks close lower in light trading.

The composite index fell 9.66 to 3552.6. Declines led advances nearly two-to-one in thin volume of 18.2m shares.

Montreal's market slice increases

THE MONTREAL Exchange is once more gaining market share from its bigger rival, the Toronto Stock Exchange, *writes Robert Gibbens in Montreal.*

In the first quarter of this year, Montreal took 20.2 per cent of the combined value of trading on both exchanges, up from 18.1 per cent for the whole of 1988.

The best performance came in February when Montreal's share was almost 24 per cent.

The Montreal exchange is about halfway through a C\$8m (US\$6.7m) upgrading of its computerised trading systems and hopes to extend its market share further, says Mr Bruno Riverin, president.

Montreal is the only Canadian exchange with electronic trading links with a US board.

However, the Toronto Stock Exchange still handles about 75 per cent of all stock trading by value in the Canadian stock exchanges, including Vancouver and Calgary.

ASIA PACIFIC

Yen's recovery inspires another surge in Nikkei

Tokyo

THE YEN'S strong rebound against the dollar fuelled investors' buying fervour and boosted share prices to another all-time high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average climbed 270.18 points to close at a record of 33,312.25, its sixth consecutive daily gain. The day's high was 33,340.30 and the low was 33,065.71. Advances led declines by 504 to 391 while 157 issues were unchanged.

Turnover surged to 1.83bn shares from 1.48bn traded on Monday. The Topix index of all listed shares also added 15.49 to 2,483.01 and in later London trading the ISE/Nikkei 50 index rose 2.15 to 1,998.0.

Trading yesterday was supported by the return of institutional investors to the market, as external factors began to show signs of improving. While individuals had more or less brushed away their worries, institutions had largely maintained a cautious stance up to now. Yesterday's strengthening of the yen against the dollar and the agreement by the Group of Seven to cooperate in maintaining currency stability encouraged institutions to join in.

The growing consensus among the optimists is that inflation worries, oil prices and the yen are all within an acceptable range, and the view that the threat of inflation in Japan has been overplayed is beginning to gain ground.

Politically, the effect of the Recruit share sale scandal on the ruling Liberal Democratic Party (LDP) remains a worry. But things are not expected to come to a head at least until June, just before the July elections for seats in the House of Councillors. Investors would like to get what they can out of the market before the political clouds start to gather.

The return of institutional investors led to a shift of activity to large-capitalisation issues such as steels, shipbuildings, utilities and trading houses. The stronger yen also helped to revive interest in these issues.

Kawasaki Heavy Industries topped the most actives list with 122.9m shares traded and firmed Y98 to Y1,080. Nippon Steel was second with 113.2m shares and added Y37 to Y965. Kobe Steel rose Y40 to Y925 in heavy trading.

Ishikawajima Harima Industries was selected on news concerning its plans to build a high-rise building on one of its sites along the Tokyo Bay. It was third most actively traded with 78.6m shares and gained Y80 to Y1,360.

Mitsubishi Heavy Industries added Y40 to Y1,180 while Sumitomo Heavy Industries rose Y60 to Y1,160 on its plans to build a leisure facility on a former plant site. It was also popular for its improved earnings position, posting a recurring profit for the year ended March for the first time in four years.

Trading companies were favoured for their liquidity and their involvement in redevelopment projects. Mitsui advanced Y20 to Y1,250 while Mitsubishi gained Y40 to Y1,660. Marubeni added Y30 to Y1,020.

Pharmaceuticals, which posted impressive gains on Monday, suffered profit-taking. Both Sankyo and Takeda lost Y90 to Y2,600 and Y2,440 respectively. Daiichi Seiyaku dropped Y140 to Y2,800.

Koito Manufacturing, the maker of automobile parts closely related to Toyota Motors, lost Y130 to Y4,700. The company's shares suffered a setback both on Monday and yesterday following news that Mr T Boone Pickens, the US corporate raider, has acquired a 20.2 per cent stake in the company, replacing Toyota as Koito's largest shareholder in what was taken to be a greenmail attempt.

Osaka maintained its upward momentum, led by large capitalisation steels and shipbuildings. The OSE average added 209.17 to 31,805.71. Turnover rose to 160m shares from 136m on Monday. Kawasaki Heavy Industries rose Y80 to Y1,070.

SOUTH AFRICA

A MARGINALLY better bullion price and a sharply weaker dollar gave support to gold shares which closed modestly firmer in light turnover.

Southvaal rose R2 to R158, while Hartebeest and Beatrix both rose 50 cents to R27 and R14 respectively.

In mining financials, Gencor gained R1 to R87.50 while Rustenburg Platinum was R1.75 better at R57.25.

Industrials followed the trend, Barlow firmed 35 cents to R36.85, Messina rose 85 cents to R24.10 and SA Breweries added 25 cents to R22.75.

Roundup

LARGE losses put Australia into the spotlight in the Asia Pacific region yesterday, while movements elsewhere were limited.

AUSTRALIA fell heavily as weaker base metal prices, a rise in the local dollar and concern about an increase in interest rates sparked a bout of selling which took the market to its lowest level for 11 months.

The All Ordinaries index found little support below the key 1,450 level and finished 19 down at 1,433.0. Trading was very thin, however, at 77m shares worth A\$138m.

Among the few gains, Pioneer International was up 5 cents at A\$2.44 amid speculation about a takeover by BTR Nylex, which sank 20 cents to A\$8.62.

Gold and mining issues were particularly hit by the jump in the Australian dollar.

HONG KONG was given a late boost by foreign buying, ending higher in spite of expectations of a slow day before today's Ching Ming grave sweeping holiday. The Hang Seng index recovered from earlier losses to end 4.71 higher at 2,991.96.

Volume rose rapidly at the end of the session, with HK\$1.07bn worth of stock changing hands by the close, slightly up on Monday. Only half an hour earlier, total volume was a mere HK\$548m.

Utilities were particularly in demand.

SINGAPORE remained cautious, ending mixed after an active alternation between profit-taking and renewed buying. The Straits Times industrial index gained 5.98 to 1,193.25 in turnover of 87.4m shares, up from Monday's 76.9m.

Two weeks of gains in exceptionally high turnover have now led to a pause, although there was selective buying yesterday, especially in Malaysian stocks.

EUROPE

Amsterdam and Madrid climb to new highs

IN A mixed day for European bourses, Amsterdam and Madrid reached new highs for the year, and speculative activity returned to Paris, *writes Our Markets Staff.*

AMSTERDAM had an active session, with turnover swelled by hefty switches in leading blue chips. Helped by speculative buying, the CBS tendency index rose 0.5 to a year's high of 174.5 in turnover worth Fl 951m. Internationals were weaker following a lower start on Wall Street.

Royal Dutch was the most active stock, easing 50 cents to Fl 133, followed by Akzo, which was off 10 cents at Fl 151.90 after blocks as large as Fl 15m worth of shares were traded.

Publisher Elsevier was the third most actively traded stock, ending 20 cents lower at Fl 65.20 on profit-taking after its strong results on Monday.

The transport and storage sector was firm, with Pakhoed rising Fl 3 to Fl 131 before its results tomorrow. It was also the subject of speculation after announcing it would hold a special shareholders' meeting on April 20 – only six weeks before its AGM – to seek approval for a range of anti-takeover defences.

Textile company Nijverdal ten Cate added Fl 5.80 to Fl 96.50 after news it was disposing of its South African assets, which should not only produce a book profit but also open the company up to US institutional investment prohibited until now by its South African links.

The first quarter saw record share turnover of Fl 23.55bn in Amsterdam, up 56 per cent on the same period in 1988, the bourse reported.

PARIS was dominated by speculation over the suspension of two CGE subsidiaries – Alsthom and Alcatel – and ended firmer with some good demand for quality stocks.

The OMF 50 index rose 2.08 to 469.74 and the CAC 40 index picked up 10.72 to 1,666.50. Volumes were estimated at higher than the FFr1.3bn seen in recent sessions.

CGE was firm, adding FFr3 to FFr431, before releasing news of 22 per cent higher annual profits, within the range of expectations. The group held a press conference after the market closed and confirmed market rumours of plans to restructure its complicated shareholdings in Alcatel and Alsthom.

The positive picture for the retailing sector painted by French research house Detroyat helped Printemps 4 per cent higher, up FFr24 at FFr616. Moulinex had a busy day, with 375,000 shares changing hands, and soared FFr12.20, or about 10 per cent, to FFr135.50.

MADRID was again in fine form, closing at its highest level of the year in active trading. The general index rose 3.62 to 291.25, taking its gain over the past eight sessions to 5 per cent.

FRANKFURT slowed down after Monday's sharp gains, with the FAZ index gaining just 1.15 to 562.72 and the DAX closing down 4.56 at 1,339.79 but off its lows. Turnover remained strong at DM3.77bn, though down on Monday's DM4.5bn.

The Bundesbank's decision to set a two-tranche securities repurchase tender with no fixed rate caused some uncertainty, but the weaker tone of the dollar encouraged the view that there should be no rise in interest rates at tomorrow's Bundesbank council meeting.

Chemicals saw profit-taking after Monday's strength. BASF lost DM1.70 to DM297.20 before today's results; the stock has risen strongly on expectations that BASF will seek to match the dividends of the other chemical majors by lifting its payout from DM10 to DM12.

Engineer Linde rose DM3 to DM775 after its higher sales figures on Monday, but Mannesmann, which said it expected better 1989 results, was off DM4.50 at DM238.50.

ZURICH was little changed at the end of the day, with the Crédit Suisse off 0.3 at 563.7. Baer Holdings' bearers rose SFr150 to SFr12,450 as talk circulated that Banesto of Spain had built a 1 per cent stake.

OSLO saw its heaviest day's trading as investors sold out of Kvaerner in response to news that Goetaverken Arendal of Sweden had sold an 11 per cent stake. Kvaerner fell NKr2 to NKr330 and the all share index lost 2.64 to 450.41.

STOCKHOLM benefited from further buying of Asea Brown Boveri, which continued to recover from a negative initial reaction to its results last Friday. Asea free B shares rose SKr17 to SKr495.

Industrial group Skane-Gripen B shares rose SKr7.50 to SKr58 and investment company Cardo's free B shares dropped SKr15 to SKr305 in reaction to the latter's bid for the former. The Affärsvärlden index rose 3.9 to 1,137.7.

MILAN edged higher in continued thin turnover, with the Comit index up 1.53 at 607.49 and volume estimated at L125bn. Uncertainty over the Government's spending measures, and particularly over public opposition to new health service charges, was keeping investors cautious.

Austria thrives on stock shortage

Lesser-known bourses sparkled in March, writes Hilary de Boerr

AUSTRIA marched to the top of the bourse league last month with a spectacular rise of 13.8 per cent, as foreign and domestic investors fought for a limited amount of stock.

The lesser-known bourse found fame in a month of mixed performances from other world equity markets. The US and the UK remained in the stranglehold of interest rate worries, rising just 2 per cent and 3.2 per cent respectively in local currency terms.

Japan had its own worries as the Recruit scandal continued to claim victims and reduced public support for the Government, with the market managing a rise of only 0.9 per cent, according to the FT-Actuaries World Indices.

The world as a whole ended the month with a gain of 1.8 per cent, weighed down by the Japanese market, which accounts for about 45 per cent of the World Index. The picture would have been much worse had Japan not sprung into life last week; the market rose by more than 4 per cent in just four days after Easter.

Continental Europe was the best performing region, jumping by 4.4 per cent as the smaller bourses found friends at home and abroad. Italy climbed by 5.1 per cent, Spain by 4.6 per cent and the Netherlands by 7 per cent.

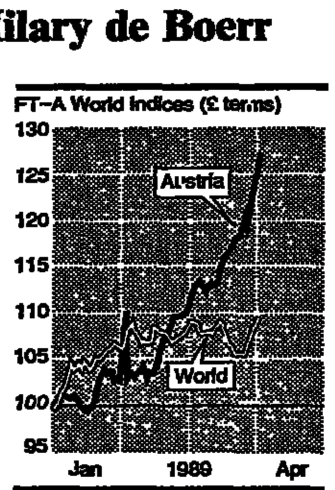
But France and West Germany stuck to a narrow trading range and underperformed, with respective rises of 3.8 per cent and 2 per cent. Interest rate worries, the Easter holiday period and the feeling that share prices had risen too much of late were all to blame.

Austria's sharp rise represented a classic supply/demand syndrome. Mr Andrew Thomson, analyst at Kleinwort Benson, says: "There's a lot less stock around than there was three months ago." Kleinwort is recommending a weighting of 3 per cent for the market within a European portfolio – well above its 0.8 per cent weighting in the regional index.

Europe was also buoyed by Scandinavia's strength, with the Nordic index rising 6.2 per cent. Norway jumped by 9.8 per cent, Finland by 6.3 per cent, Denmark by 5.9 per cent and Sweden by 5.8 per cent. Healthy gains in corporate profits, firm North Sea oil prices and a buoyant market for pulp and paper helped individual bourses.

Only three markets ended last month in the red. Australia was knocked by the weak bullion price and concerns over the local economy, falling to bottom place with a loss of 1.7 per cent.

New Zealand followed suit – troubled also by problems at Chase Corporation – and lost 0.9 per cent, while Hong Kong was little changed, off 0.2 per cent.



The overall picture for stock markets is bright so far this year. Only one market, Australia, is lower than at the start of 1989, falling by 2.7 per cent in the first quarter.

West Germany has been the second worst performer – up just 0.5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 3 1989					FRIDAY MARCH 31 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	135.24	+0.2	118.93	109.07	5.09	134.91	118.49	109.56	157.12	131.93	115.91
Austria (18)	113.91	+2.5	100.17	111.66	2.25	111.15	97.63	109.27	113.91	92.84	91.85
Belgium (63)	130.88	+1.1	115.09	127.98	4.07	129.45	113.70	127.21	136.68	128.52	134.89
Canada (127)	134.17	-0.1	117.98	115.61	3.30	134.35	118.00	116.11	137.27	124.67	121.97
Denmark (38)	170.16	+0.5	149.63	169.59	1.91	169.27	148.67	169.55	180.38	165.35	120.72
Finland (26)	151.28	+1.1	133.03	134.65	1.35	149.70	131.48	133.68	151.28	125.81	127.08
France (130)	116.98	+1.4	102.87	116.57	2.92	115.39	101.35	115.75	119.98	112.57	82.79
West Germany (100)	84.41	+2.0	74.23	82.59	2.29	82.77	72.69	81.50	90.40	81.77	78.49
Hong Kong (49)	126.29	-0.4	111.05	126.25	4.07	126.86	111.42	126.82	133.77	111.80	99.35
Ireland (17)	141.12	+0.6	124.10	140.28	3.63	140.27	123.20	140.52	146.46	125.00	122.79
Italy (98)	81.53	+0.2	71.69	84.08	2.43	81.40	71.49	84.43	86.88	78.16	79.08
Japan (455)	189.32	+0.2	166.48	158.02	0.48	188.87	165.89	158.13	200.11	180.30	172.03
Malaysia (36)	163.18	+0.4	143.50	172.67	2.73	162.50	142.73	172.20	163.18	143.35	118.27
Mexico (13)	166.89	+0.5	146.75	437.92	1.17	166.05	145.84	435.90	167.32	153.32	144.61
Netherland (42)	117.62	+1.1	103.43	113.97	4.48	116.30	102.14	113.38	117.71	110.63	107.15
New Zealand (24)	68.83	+0.4	60.52	59.45	6.63	68.58	60.24	59.26	76.02	67.60	76.24
Norway (26)	178.34	+1.8	156.82	165.75	1.74	175.23	153.91	163.58	178.34	139.92	125.16
Singapore (26)	144.15	-1.0	126.76	130.24	2.27	145.59	127.87	131.57	147.64	124.57	107.86
South Africa (60)	140.04	+0.7	123.15	126.76	3.99	139.13	122.20	126.72	142.88	115.35	128.32
Spain (42)	149.20	+2.1	131.20	132.41	3.65	146.08	128.30	130.70	149.68	143.14	153.85
Sweden (35)	159.62	+1.1	140.37	151.53	2.26	157.92	138.70	150.38	159.62	138.45	118.62
Switzerland (57)	75.24	+1.6	66.16	76.87	2.37	74.08	65.07	76.29	79.76	74.05	81.18
United Kingdom (316)	146.05	-0.1	128.43	128.43	4.36	146.14	128.35	128.35	153.33	134.53	136.24
USA (564)	120.64	+0.5	106.09	120.64	3.64	120.06	105.45	120.06	121.90	112.13	104.47
Europe (1008)	118.28	+0.7	104.01	110.46	3.55	117.42	103.13	109.98	120.88	114.02	108.16
Nordic (125)	151.68	+1.0	133.38	149.63	1.99	150.23	131.95	148.79	151.68	137.95	111.72
Pacific Basin (679)	184.47	+0.2	162.22	154.51	0.70	184.07	161.67	154.64	194.72	176.37	166.96
Euro-Pacific (1687)	158.00	+0.4	138.94	136.95	1.57	157.41	138.26	136.85	164.22	152.83	143.45
North America (691)	121.35	+0.4	106.71	120.35	3.62	120.82	106.12	119.85	122.71	112.79	105.41
Europe Ex. UK (692)	101.02	+1.4	88.83	99.33	2.89	99.63	87.51	98.60	103.11	98.84	90.73
Pacific Ex. Japan (224)	126.49	-0.1	111.23	110.36	4.55	126.58	111.17	110.83	137.65	124.54	105.85
World Ex. US (1887)	157.00	+0.4	138.06	136.26	1.64	156.43	137.40	136.18	162.77	152.04	142.56
World Ex. UK (2135)	142.61	+0.4	125.41	131.22	2.04	141.98	124.70	130.96	146.04	138.06	127.06
World Ex. So. Af. (2391)	142.92	+0.4	125.68	130.98	2.24	142.36	125.04	130.74	146.65	138.82	127.86
World Ex. Japan (1996)	120.65	+0.5	106.09	116.85	3.64	120.02	105.41	116.40	122.37	114.51	106.66
The World Index (2451)	142.90	+0.4	125.66	130.95	2.25	142.34	125.02	130.70	146.51	138.83	127.86

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Latest prices were unavailable for this edition.

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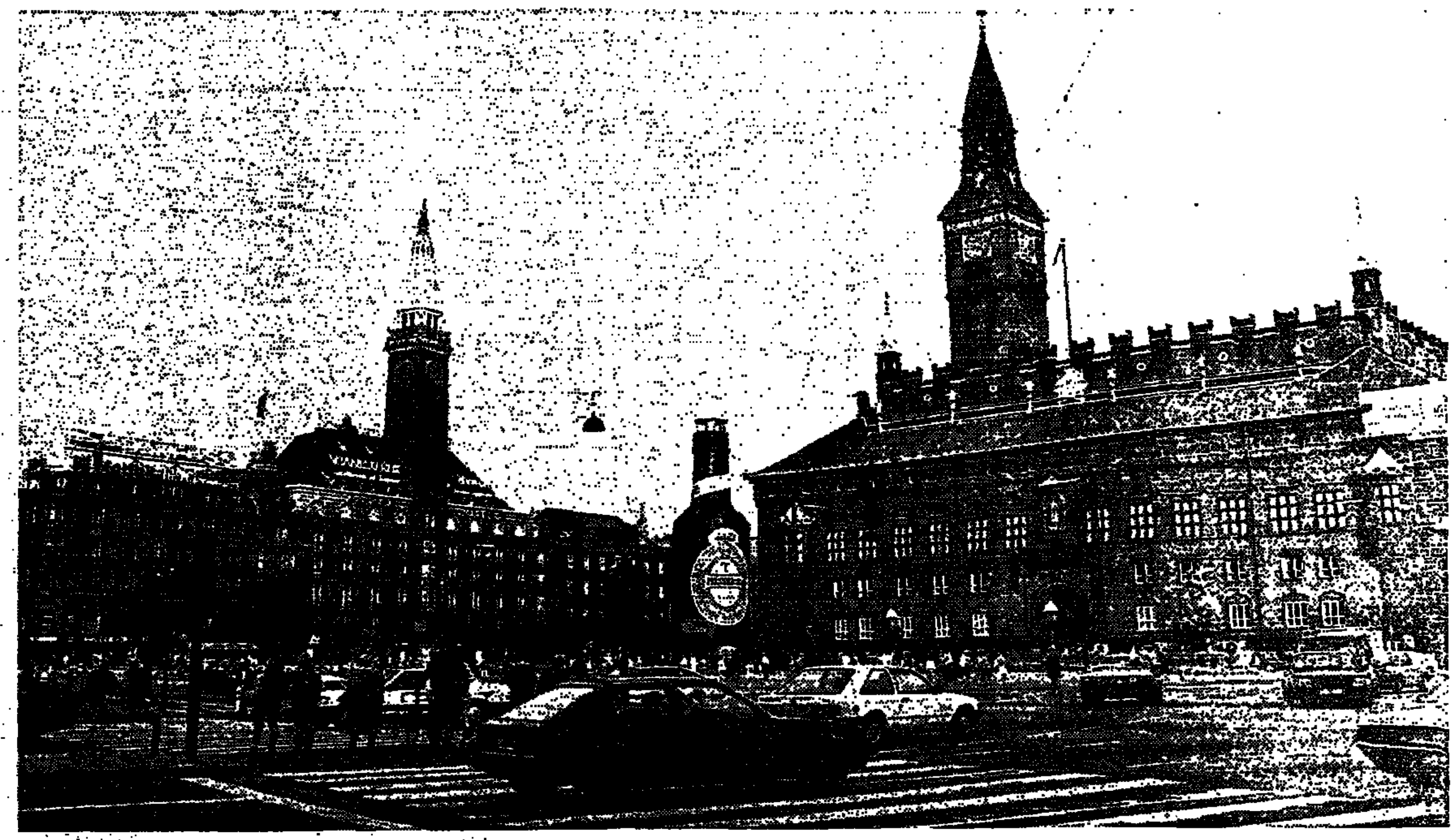
SECTION III

FINANCIAL TIMES SURVEY

A change of course is due to be presented this year by the prime minister. His radical economic programme would include a reduction of taxes and an introduction of curbs on the welfare state and the public services sector, writes Robert Taylor

Consequences confronted



DENMARK

COSY, affluent Denmark with its generous welfare state and easygoing life style, is about to be confronted with the consequence of its profligate ways of the past 40 years.

This summer the country's Prime Minister, Mr Poule Schlüter, intends to present a comprehensive and radical economic programme designed to shake-up the country with tax reductions, moves to reduce the welfare state and curb the insatiable appetite of the huge public services sector. He and his cabinet colleagues believe that Denmark will have to change course dramatically if it is to survive and compete effectively in international markets. With a level of foreign debt equivalent to 40 per cent of the country's gross domestic product, he argues that there really is no alternative to what he has in mind.

"I will try and negotiate the programme with the other parties in Parliament," he says. But if this fails, he intends to make a direct appeal to the Danish people by calling a referendum, just as he did three years ago to win their approval for the creation of the internal market in the European Community.

This is a high risk strategy but Mr Schlüter seems determined to take the initiative. After six-and-a-half years in office without a majority for the various coalition governments he has led, Mr Schlüter believes the time has come to force the Danish voters to recognise they simply cannot go on as they have been doing any longer.

"What we need to see are lower taxes so that we can inspire more investment and more production," he argues. The central government last year accounted for 59.9 per cent of Denmark's gross domestic product, the highest figure in the world except for Sweden. Its highest marginal tax rate is about 68 per cent and this applies on incomes that are only 20 per cent above the average blue-collar worker's wage of DKr170,600 a year, while the minimum marginal rate of income tax is about 50 per cent.

Over a third of Danes work in the public services sector. Unemployment benefit is relatively generous, amounting to 90 per cent of pre-tax earnings for many up to a ceiling of DKR120,000 a year and lasting up to 30 months. A wide range of social welfare benefits are free for those who want to claim them. Last year's report on Denmark by the Organisation for Economic Development and Co-operation noted that the country was one of the few where health spending had "remained almost constant as a share of GDP".

On the other hand, Denmark has fragmented, small and diverse industries, which many believe face a tough time ahead in competing against the challenge of 1992 and the EC's internal market. Over the past three years there has been a 15 per cent drop in the volume of Danish business investment, weak growth and stagnant productivity. The Federation of Danish Industries believes that resources will have to be transferred from the swollen public sector into the country's manufacturing with an emphasis on a drastic improvement in its international competitiveness. They argue that the Danish public services sector has "crowded out" the country's open market economy.

These views are also shared with varying intensity by many in the trade unions and on the left in the opposition Social Democratic party, who do not question the seriousness of Denmark's economic outlook. This year's wage agreement, with only a 3 to 4 per cent rise over 1989 and 1990, may be much less than Mr Schlüter would have liked to see but it suggests a new sense of realism among trade union negotiators, even though competitiveness will not be improved by the staged introduction of a 37 hour working week by law to be completed next year. Most senior Social Democrats seem ready to adopt a moderate position and appeal to the centre ground.

But how will the Danish people respond this summer to the politicians and their talk of drastic change? Mr Schlüter, and his colleague the Liberal 'eader and foreign minister Mr Ulleman-Jensen, are convinced that the country is in the mood to respond positively to the call to action. "There is a growing understanding that we cannot go on in the way we have been doing since the 1960s," declares Mr Ulleman-Jensen.

A recent public opinion survey carried out by the Psychological Institute at the University of Aarhus suggests they may be right. As many as 90 per cent of those Danes questioned thought the country had been living beyond its means for more than 20 years and 65 per cent said they would accept a fall in their living standards if it would help to solve the economic crisis. Opposition to any further increases in taxation was found to be massive. The study suggests the people are waiting for a lead from the government and Parliament, though it also found widespread scepticism about politicians and their ability to solve Denmark's problems.

In short, the Danes appear to be more aware of their troubles than at any time in the past six years. This may well give Mr Schlüter encouragement in his planned economic reforms. With action also proposed for the autumn on the controversial issue of unemployment benefits, it seems that the government will need all the support it can find for the battles ahead.

Jacques Blum, one of the country's radical sociologists, fears that there has been "a change of atmosphere" that means "the beginning of the end of the welfare state" and he believes that this will mean hard times ahead for Denmark's unemployed, immigrants, drug addicts and the other casualties of a society under strain. He fears that a high price may have to be paid in greater racial tension and social polarisation. The revival of the right-wing populist Progress party is seen by many observers as symptomatic of the contemporary sourness.

But there is a need for some caution. A recent Gallup poll found substantial support for Margaret Thatcher among the Danish voters who believed she has been "good" for Britain, but a similarly large number also made it clear that they did not believe their country needed the kind of domestic policies she had introduced into Britain. Indeed, Mr Schlüter says: "We don't intend to destroy the welfare state." There may be a greater willingness to tolerate the idea of charges for using the health service among the Danes but no sensible politician can count on popular backing for any divisive strategy that attempts to dismantle the consensual approach of compromise and conciliation which lies at the heart of Danish politics.

With eight political parties in Parliament, no government can ever enjoy the decisive majority necessary to push through single-minded policies. Thanks to an electoral system based on proportional representation and only a 2 per cent support hurdle to be crossed by any party in order to acquire seats in Parliament, it would be political suicide to try and

Continued on page 10

CONTENTS

Photography: Alan Harper
Pictured left: Radhuspladsen (Town Hall Square, Copenhagen)

KEY FACTS

Population	5.1m
Area	43,069sq km
GDP (1988 prov)	DKr729bn
per capita	$21,090
(at av 1988 $ exchange rate)	
Merchandise exports (1988)	DKr187.3bn
Imports	DKr178.2bn
Current balance of payments	DKr-12.1bn
Debt service ratio	13%
Exports: (bn DKr)	
Agriculture, animal	21.32
Vegetable	7.65
Canned meat, milk	5.29
Manufactures	128.17
Ships	4.68
Fish, fresh, frozen	8.92
Pelts	3.49
Energy	4.50
crude oil, nat gas	1.86
other	3.30
Imports	
Agricultural inputs	6.91
Building industry inputs	13.22
Manufacturing inputs	69.67
Energy	10.89
Crude oil	3.24
Machinery	19.70
Transport equipment	10.27
Consumer goods	42.97
Other	4.61
Consumer price change (Dec-Dec 1987-88)	4.6%
GDP growth rate	1981-86 average 3.3%; 1986 4.2%; 1987 -0.7%; 1988 -0.4%
Exchange rate	£1=12.5550 Danish kroner (29.3.89)

The prime minister seems set to stay in power

Tactical best under pressure

MR POULE SCHLUTER is a born survivor. Prime minister of Denmark for the past six-and-a-half years at the head of a coalition government without a majority in Parliament, he seems to thrive in the Byzantine world of Danish politics with its maze of tiny parties.

When he took office in September 1982 most observers thought he would not last more than a few months. But as the country's first Conservative party leader to be prime minister in this century, he has won through in three consecutive general elections and is expected to stay in power at least until Denmark is due next to go to the polls in the spring of 1992.

Yet, given the uncertainties of Danish politics, nothing can be taken for granted. "I have never had the power that prime ministers normally have," says Mr Schlüter. "I have to fight every week for the government's majority and it can be difficult. I have a secret dream to have just one year of majority government. I told Margaret Thatcher that recently and she replied '12 years is better'.

But despite his lack of firm support in Parliament, Mr Schlüter has never been a mere caretaker prime minister. In his early years in office he pushed through a tough economic strategy, at least by easygoing Danish standards, that put an end to the highly inflationary indexation of wages and prices, curbed public expenditure and raised new taxes. The aim was to call a halt to the country's economic self-indulgence.

As a result, his government eliminated a budget deficit that reached an horrendous 11 per cent of gross domestic product in 1982-83 and created an actual surplus four years later. In the words of the Organisation for Economic Co-operation and Development in its latest Danish survey this achievement "has no match in the OECD area".

However, this did not prove enough to conquer Denmark's underlying economic difficulties and the country's current external deficit continued to rise, reaching DKr-34.7bn in 1986. As a result, Mr Schlüter was compelled to dampen down domestic demand from the autumn of that year and take further remedial action in the 1987 budget. But he is far from satisfied by the progress the Danish economy has made over the past three years.

It is a necessity of the Danish parliamentary scene that the prime minister must spend his time trying to find compromises between the parties in order to govern. But he does not disguise his frustration at his inability to take the radical steps that he believes are needed to deal with the country's underlying economic ills.

"In my opinion Denmark crossed the line 10 years ago when the bulk of responsibility was placed too much on the public authorities," he argues. "Too many Danes became spoilt and they thought they could go on for ever but they couldn't. Between 1965 and 1982 public spending went on rising year after year regardless of whether the economy could afford it."

'I have to fight every week for the government's majority and it can be difficult,' says Mr Schlüter

Mr Schlüter believes that people now recognise that the Danish welfare state will have to be reappraised. "We will not abolish it," he says. "But we will have to adjust it severely to what is within our economic capacity." The prime minister made his intentions very clear in his speech to the new Parliament last October when he warned that the whole of Danish society needed a shake-up with a series of measures to make the economy more efficient and reduce the dominance of the public sector.

His aim is to cut 100,000 posts out of the government bureaucracy over the next 10 years. But at the moment total government expenditure as a share of gross domestic product in Denmark is the third highest in the OECD area after Sweden and Holland. "We are preparing a drastic change in the national budget," promises Mr Schlüter. "This will come in June with the intention of making it possible to cut taxation severely."

The highest marginal tax rate for Danes is about 68 per cent, which is applied on incomes that are only 20 per cent above the average income for a blue-collar worker earning around DKr170,000 and the lowest tax rate is as high as 51 per cent on an annual income of from DKr30,000 to DKr130,000.

The level of corporate taxation is also high, with a 57 per cent rate and a flat rate of 22 per cent applied across a wide range of goods and services.

The prime minister insists that the forthcoming tax package will be drastic. Some of his cabinet colleagues describe it as a "horror" programme for the public sector. But Mr Schlüter admits that he cannot force through any measures that fail to win broad support in Parliament. He is looking for backing from the opposition Social Democrats as was achieved recently on defence, but this will not be easy to achieve when that party has considerable support among those third of Danes employed in the public sector.

Moreover the prime minister hopes that the employers and the trade unions will also be involved in the reshaping of the Danish taxation system and the public sector. "I am sure that we can find agreement among ourselves," he says. But he has also made it clear that he will put the whole package to the people in a referendum if necessary if the political parties fail to compromise and swallow a good deal of what he is prepared to do.

With only 19.3 per cent support in last spring's general election and 35 MPs in the 179 seat Parliament, Mr Schlüter's Conservative party can hardly regard itself as a dominant force in Danish politics. But the prime minister has shown a high skill in manoeuvring his way through the parliamentary complexities and there is no obvious reason why he cannot go on doing this for some years

Mr Schlüter: born survivor

to come. He is said to be masterly in his handling of the cabinet.

The 60-year-old Mr Schlüter suffered a personal tragedy last year when his wife died of cancer but though devastated by the loss he shows every readiness to soldier on. "I intend to fight the next general election," he declares. "I believe all three parties in the coalition will present themselves together."

A lawyer, who comes from the south Jutland town of Toender, he became Conservative party leader in 1974 after 10 years in Parliament. At that time his party was in bad shape, facing what appeared to be a formidable populist threat in the Progress party with its intoxicating call for the abolition of taxes.

But as his uncertain years in office have demonstrated, Mr Schlüter seems to be at his tactical best when under pressure. A likeable man with a genuine sense of humour, he manages to combine firmness with a readiness to conciliate. A pragmatist at heart he may be, but the prime minister does have a clear idea of what he believes he needs to do in order to restore the health of Denmark.

He also seems to be optimistic about his prospects in convincing other parties outside the government about the commonsense and necessity of his future economic strategy. Regularly under-estimated by friends and foes alike, he may well confound those who believe he is about to bite off more than he can chew.

Robert Taylor

SOCIAL TRENDS

Quiet and stable lives

CRISIS? What crisis? Looking around at the visible state of Denmark it is hard to find many signs of social discontent and human misery. Indeed, the facts of Danish life suggest the vast majority of the people have never had it so good. A recent publication from the Central Bureau of Statistics and the Danish Institute of Social Research provides a useful guide to contemporary realities.

Danish males born today can expect to live on average to the age of 71.5 years and females to 77.5 years. Infant mortality at 7.9 per thousand live births is among the best in the world. It is true nearly a quarter of Danes complain of pains in the shoulder, neck or back and that 10 per cent of them suffer from fatigue and insomnia. As many as a third say they cannot climb up a flight of stairs without a rest and 51 per cent took some kind of medicine in the two weeks before they were surveyed. But 44 per cent of men and 42 per cent of women play sport or take exercise.

Forty seven per cent of Danes smoke today compared with 57 per cent 20 years ago with a noticeable rise in the number of women who smoke. But they drink less alcohol than they used to do. Only 18 per cent of men and 4 per cent of women said they drank 11 or more glasses of liquor a week. Danish teeth are rather good. As many as 67 per cent of Danes still have all their natural teeth or 20 or more.

The Danes are very well educated nowadays. As many as 31 per cent of them receive some form of general education in the year, while a third visit the library frequently. More go to the theatre (28 per cent), the cinema (25 per cent), and classical concerts (13 per cent) than used to do. Fifty five per cent of Danes have five or more weeks' holiday a year.

Just over half the Danes are home owners and 59 per cent of them have a car. Eighty three per cent possess a television, 94 per cent a telephone, 61 per cent a washing machine, 84 per cent a fridge or freezer and 23 per cent an automatic dishwasher.

Denmark may have seen a rise in reported crime over the past decade but most Danes lead quiet, stable lives. However, 3 per cent said they have experienced violence themselves over a 12 month period, 14 per cent experienced a theft and 12 per cent malicious damage to property. Despite, or perhaps because of, its liberal attitude to pornography, crimes of a sexual nature have declined over the 1980s. Twelve per cent of Danes said they were afraid of being the victim of a crime.

However, more Danes are committing suicide. In the early 1980s the annual average was 29 per 100,000 of the population with a figure of 37 per 100,000 for men. At the start of the century the figure was 23 per 100,000.

Some of the findings from the Gallup Institute and other opinion surveys suggest there are currents of unrest in Denmark. The Danes, often regarded as a tolerant people, seem particularly anxious about foreign immigration at the moment. In the latest Gallup survey 53 per cent said they wanted to see more restrictions on the access of political refugees to Denmark and a study carried out recently among European Community countries discovered racism is stronger in Denmark than anywhere else. It is worth noting, however, that only 2.7 per cent of people living in the country are foreign born, though 40 per cent of these are from Asia or Turkey.

The Danes may remain blasé about their sexuality but the arrival of AIDS (Denmark has a high incidence of the disease, just behind Belgium and France in the league table) has made them less tolerant about adultery. Just one adulterous incident is now regarded as grounds for divorce by 61 per cent of Danes in a recent Gallup survey, compared with 45 per cent who thought so 30 years ago. It is believed the AIDS fear lies behind this figure.

There is also evidence that unemployment has scarred many Danes. As many as a quarter have had some experience of being without a job and 11 per cent of the unemployed say they have been depressed as a result.

But on the whole the social statistics reflect a rather comfortable, healthy, well-educated society, which will make it all the more difficult for the politicians to rally the Danes behind a programme of financial austerity.

Robert Taylor

On the whole, the social statistics reflect a rather comfortable, healthy, well-educated society

ECONOMY

A long hard road to eliminate deficit

AFTER TWO years of recession, with a decline in real GDP of one per cent in 1987 and about 0.4 per cent in 1988, the Danish economy has entered the recovery phase this year. But it will be a weak recovery, and not enough to prevent a rise in unemployment, which is now about nine per cent.

The recovery will not be sustainable unless a new deterioration in the current balance of payments deficit can be avoided. After 25 consecutive years with current account deficits and a net foreign debt which equals 40 per cent of GDP, the government is giving priority to eliminating the deficit.

Private consumption will not be allowed to increase, public expenditure will be reduced, in real terms, and policies will be implemented to encourage household savings.

This is a harsh mixture for a country with rising unemployment, and the success of this policy approach is dependent on achieving an improvement in labour costs relative to other industrial countries, in order to generate an export-led recovery.

In the longer term, the performance of the economy will also be profoundly influenced by the package of tax reforms and public spending cuts which the government will unveil in June. These are described by Prime Minister Poule Schlüter as "the most extensive reforms of the economy ever undertaken".

The tax reforms will aim, in order of priority, to reduce the level of business taxation, marginal income tax rates and indirect taxes. Gigantic sums are involved, a tax reshuffle of about DKr60bn, some 10 per cent of the GDP and 20 per cent of government spending. But at the end of the day, when and if the reforms are implemented, the total tax burden will not have been reduced very much.

Public spending will be cut, initially bringing budget expenditure in 1990, in real terms, back to the 1987 level, but over a period of 10 years the intention is to reduce public sector employment by 100,000 (or about 15 per cent).

Much more use will be made of user-charges for public sector services, and the generous unemployment benefit system is to be reformed, giving the labour market organisations themselves a much greater share of responsibility for financing the benefit system.

"It will be tough, but the Danes can take it," says the prime minister.

In the meantime, the short-term focus is on the country's competitive situation.

In recent weeks, new two-year collective wage agreements have been concluded for both the public and the private sectors. They are the most moderate settlements for the past 30 years, but it is not certain that this is enough.

The agreements appear to imply an increase in hourly wage costs in industry, including the cost of a fully-compensated cut in the working week by 30 minutes each in 1989 and 1990, (bringing the standard week down to 37 hours) and some unavoidable wage drift, of about 4.5-5 per cent a year.

This should prevent the competitive position from deteriorating, but it may not be enough to improve it significantly, although some Danish commentators have noted, hopefully, that wages in some other OECD countries are now increasing rather faster than expected, perhaps giving Denmark an unexpected bonus.

The background to the 1987-88 recession were tough fiscal measures taken in 1986, when the current account deficit soared to 5.2 per cent of the GDP. Tax penalties were introduced for borrowing to finance consumption and the income tax deduction for mortgage interest was reduced.

In 1988 the basis for raising payroll taxes was altered to the same basis as value added tax, thus exempting exporters. This meant that although hourly wage rates increased by about 6.5 per cent last year, hourly wage costs increased by only 1-2 per cent. Exports rose by about eight per cent, and profits in export firms were given a boost, as the 1988 results have proved.

As far as the trade balance is concerned, the measures were effective. The current account deficit fell from DKr36bn in 1986 to DKr12.1bn in 1988. The visible trade balance moved from a 1986 deficit of DKr15.6bn to a surplus in 1988 of DKr13.8bn. But although the Danes are not now consuming more than they produce, the heavy burden of interest on the foreign debt, costing DKr29.1bn last year, has kept the current account in deficit.

The GDP growth forecast from the Ministry for the Economy is one per cent in 1989 and 1.5 per cent in 1990. The growth this year will come entirely from exports, while domestic demand will show little change, but in 1990 business investment is expected to pick up.

Inflation will be moderate, about 3.5 per cent, with Denmark's membership of the European Monetary System, which links the krone to the D-Mark, helping to prevent external inflationary impulses from upsetting the apple cart.

Unemployment is forecast to rise to 9.5 per cent next year, which may err on the low side. Some other forecasters think that it wil exceed 10 per cent.

The current account deficit, however, is not expected to show much further improvement, partly because the international economy is not expected to remain so expansive, and partly because rising international interest rates will increase Denmark's interest payments.

There is, therefore, a long hard road to go if the government is to achieve its ambition of eliminating the current account deficit by 1992.

Hilary Barnes

Christianberg Palace, the seat of the Danish parliament

Forecasts for 1989-90

(Volume % change)	1989	1990
GDP	1.0	1.5
Imports	2.0	2.7
Exports	4.0	4.0
Private consumption	0.5	1.0
Public consumption	-1.2	-0.5
Business investment	-0.2	4.2
Current account (bn kr)	-11.0	-10.0
Consumer price change	3.5	3.0
Unemployment per cent	9.5	9.5

Source: Economy Ministry

FOREIGN POLICY

On the defensive

DENMARK is often regarded by the North Atlantic Treaty Organisation as an unreliable partner in the defence of western Europe.

Indeed, exasperation about the alleged irresponsible antics of the Danes has raised Nato blood pressures on numerous occasions during the past few years. But the country's foreign minister, Mr Uffe Ellemann-Jensen, is taking a rather sanguine view of the present outlook now that the main parties in the Danish parliament have agreed to a compromise defence programme for the next three years.

It is true that it will involve no real increase in Danish defence spending, which at the moment only amounts to 2.2 per cent of its gross domestic product, one of the lowest contributions in Nato. Last year the Danish defence ministry admitted that the country needed to increase its spending to 6 per cent of GDP to meet its alliance commitments. But Nato secretary-general Manfred Werner recently gave his blessing to the defence settlement.

"The amount of GDP we spend does not really tell you very much about our defence effort," says Mr Ellemann-Jensen. "You should not forget that we are adding to the total defence of the West in many ways. We are paying for the achievement of social and political stability in Greenland and the Faroe islands. The Americans have tracking and military research stations on Greenland and we provide a Danish military presence there as well. We spend as much as 0.91 per cent of our GDP on foreign aid to developing countries and this adds to the cost of defending western defence and values."

Recently the United States information agency published a survey of public opinion among the Nato partners that found as many as 70 per cent of Danes believed that Nato was essential for Denmark's defence and 60 per cent even thought that US bases were "necessary" in Europe though there never have been any on Danish soil.

But Mr Ellemann-Jensen has made it very clear to the Bush administration in recent weeks that Denmark opposes any early Nato decision to modernise the short-range nuclear weapons in West Germany. "It would be unwise and would not be accepted by the public," he says. "The Bonn coalition would split apart and that is not in our interests." Indeed, there would not be a majority in the Danish parliament to support updating the nuclear armoury. Some observers believe that the Schlüter coalition could fall over the issue if it were forced into agreeing on modernisation.

The alleged antics of the Danes has raised Nato blood pressure on many occasions

Nato policy-makers regard Denmark as of vital strategic importance in the event of a war with the Soviet Union. As Steven Miller at the Massachusetts Institute of Technology argues in a contribution to a study commissioned by the Stockholm International Peace Research Institute on how Europe would look after an American military withdrawal: "Denmark serves as the stopper that prevents easy access between the Baltic and the North Sea. For most vessels of any consequence, passage is possible only through a small number of straits through or around Danish territory."

While the Soviet Union gives a higher priority to its military position in the far north of Europe and the central region, the Baltic and, therefore Denmark, have considerable value in Moscow's eyes. The capture of Denmark would threaten southern Norway, the UK and the Channel ports opening up "an attack corridor for Warsaw pact airpower". The country is "a kind of buffer between the Warsaw pact and several potentially significant and attractive targets," writes Mr Miller. In his opinion, the Baltic "could play an important, and conceivably even a critical role, in the support and reinforcement of Soviet forces on the central front."

The potential threat to Denmark is real enough amounting to between 12 and 14 Soviet divisions and 700 tactical combat aircraft based in the northern part of East Germany. In their own defence Denmark has 17,000 soldiers, with reserves of around 55,000 as well as a Home Guard of 75,000 and 48 F-16 aircraft. Under present Nato contingency plans West Germany and the UK's Mobile Force of 13,000 men would provide the military back-up. Since 1976 Denmark has agreed also to accept US air reinforcements consisting of five US squadrons of 75 planes to be flown to four Danish airfields in a crisis.

"The dual purpose of Nato – security and negotiation – is still valid," argues Mr Ellemann-Jensen. Perhaps more than most in western Europe, the Danish government is particularly hopeful about the possibilities for wide-ranging negotiations with the Soviet Union.

Robert Taylor

Guide to the confusing political scene

The Folketing maze

HOW COME that in Denmark the Left is always Right and the Radical Left is nothing of the sort?

There are eight parties in the *Folketing (Parliament)*, which causes confusion enough. Their names are calculated to add to the outsider's confusion. Still, things are better than they were until 1987, when there were 10 parties.

If there were a smooth continuum from left to right it would make matters simpler, but there is not.

Blame it on Det Radikale Venstre Parti (literally, the Radical Left Party, or The Radical Liberals). It is neither radical nor left, but controls the swing vote between the left and right blocs. It may only win five per cent or so of the vote, but its leader, current Economy Minister Niels Helweg Petersen, is always one of the most influential people in Danish politics, whether in or out of office.

On foreign and defence policy the Radicals side with the Left but on domestic policy with the Right – an unusual policy split which causes endless frustration

Then there is Venstre Parti (Left Party) which, far from being Left, is firmly and always on the Right, rather more conservative, most people would say, than the Conservative Party.

Fremskridtspartiet (Progress Party) is regarded by many as anything but progressive – in fact the most reactionary of the parties. It stands for swingeing tax cuts and reductions in public expenditure, and it has a strong anti-refugee/immigrant stance.

On the far left there is the Socialistiske Folkeparti *(Socialist People's Party)*, a Marxist (but not Leninist) party, which is largely populated by graduate teachers – as opposed to "the people".

At least the Social Democratic Party, the largest party, has a title which enables foreigners to identify it correctly, a genuine cousin to the German and Swedish Social Democratic parties, and the British Labour Party.

The Centre Democrats? They are indeed democratic and of the centre. And the Christian People's Party? That, too, is *reasonably self-explanatory*.

Hilary Barnes

UK public relations campaign

'More to us' than bacon

THE DANES think they have a problem: too few people out in the wide world have got the first idea where or what Denmark is, like the US White House spokesman last year who was asked about a Danish problem: "Danish, that's something we have for breakfast," he commented.

Those who do associate Denmark with something or other have associations which the Danes are only half-happy about, such as the British schoolgirl, who was asked by a market researcher what Denmark meant to her: "Pig, bacon, pig, pig, pig," she said.

The Danish government has decided that the time has come to do something to brush up awareness of Denmark and what it can do.

Over the coming months the government will spend DKr37m on a major trade campaign in the UK, which ranks third after Germany and Sweden in the Danish trade statistics. If it is a success, the campaign will be followed up with similar campaigns in Germany and elsewhere.

Danish exports to the UK last year totalled DKr21.9bn, 11.6 per cent of total exports, with food, DKr8.0bn, by far the biggest item. Imports from the UK to Denmark were DKr12.6bn, about seven per cent of total imports.

The general idea of the trade campaign, as Denmark's London ambassador, Mr Peter Dyvig, has put it, is to "put Denmark more in the limelight" – or as Ms Malene Djursaa, author of a survey of British attitudes to Denmark, has it, "to drag Denmark from obscurity".

Ms Djursaa found that a high proportion of respondents did not know that Denmark is a member of Nato (it is; it joined in 1949) or the European Community (it is; it joined, with Britain, in 1973).

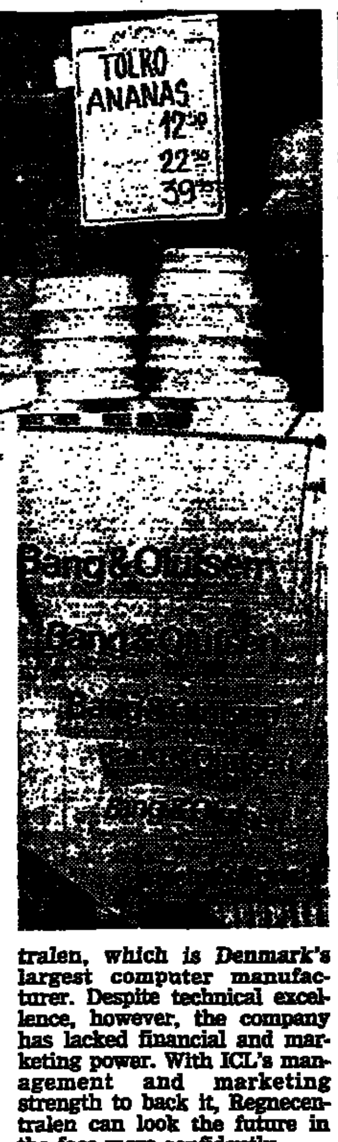
A second aim of the trade push is to persuade the British that there is more to Denmark than bacon, butter and beer – not that there is anything wrong with these products (as any Dane will tell you, they are second to none) – but the country has more to offer.

Unfortunately, as shown by Ms Djursaa's survey, carried out among middle and top-level managers and students in higher education in geography and politics, Denmark "ranked abysmally" compared with four other countries where industrial products were concerned.

"We received rock-bottom ratings ... even on genuinely strong exports like electronics and pharmaceuticals," said Ms Djursaa. "As one respondent said in a group interview, he'd be very suspicious of 'videos and things like that' from Denmark, because he'd think we were having a go without experience, rather like a developing country."

This respondent probably did not realise that Bang & Olufsen, the manufacturer of up-market audio and television equipment, is Danish. This raises another problem.

Most of the big and successful Danish companies, which people all over the world can be expected to know about – Carlsberg in beer, Lego for plastic toy construction kits, Bang & Olufsen – are known for their products, not for being Danish.



Alan Harper

A display of Danish cheese in Copenhagen and (right) many do not know that the upmarket audio equipment maker is Danish

This is as it should be, according to the industrialists themselves, who are not over-enthusiastic about the spending of DKr37m of taxpayers' money on an image campaign. The Federation of Danish Industries (roughly equivalent to the UK's CBI) even went so far as to dissociate itself from the campaign.

Apart from beer, butter and bacon, Denmark has a considerable and growing presence in the UK.

Rentokil, which combats pests and is listed on the London Stock Exchange, is Danish-owned. The Carlsberg Northampton Brewery is the group's most profitable operation. Grundfos, probably the world leader in stainless steel submersible pumps, has an important production plant for heating pumps in Sunderland. DFDS, the shipping company, dominates North Sea ferry and freight traffic. A.P.Moller-Maersk has a substantial shipping operation, based in London, while Maersk Air has an ambitious foothold in UK civil aviation, and so the list could continue with the names of nearly all the larger Danish companies.

There is also a considerable community of young Danes who have fled the Danish tax climate and set up in the UK in all sorts of businesses, among them are a number of successful software producers.

Britain, of course, also has a strong presence in Denmark, and it has been strengthened over the past year or two by three particularly important investments, all of them a tribute to the Danish industrial know-how which the British are supposed not to know about.

In 1987, APV, the British-based food and beverage industry equipment group, bought Pasilac-Danish Turnkey Dairies, a world leader, in the field of dairy design and equipment manufacturing. In financial straits at the time, Pasilac has been made the APV group centre of excellence in dairying. Pasilac is now benefiting from the marketing strength which APV has brought it, orders are recovering, employment at Pasilac is on the rise, and the acquisition appears to have been a success for all concerned.

Last year ICL, the UK computer company, acquired 50 per cent (and it has management contract as well) of Regnecentralen, which is Denmark's largest computer manufacturer. Despite technical excellence, however, the company has lacked financial and marketing power. With ICL's management and marketing strength to back it, Regnecentralen can look the future in the face more confidently.

Finally, Booker, the UK food and beverage group, bought Denmark's leading seed development company, Daehnfeldt, providing a foundation for a stronger international presence for the Danish firm.

Hilary Barnes

EC RELATIONS

We're not the foot-draggers — Minister

WILL THE completion of the European Commission's internal market provide the Danes with an opportunity they are well-prepared to exploit (the view of Foreign Minister Uffe Ellemann-Jensen) or will it turn out to be "a nightmare", as the leader of the Social Democratic Party, Mr Svend Auken has expressed it? The Danes are not quite sure.

They have always been ambivalent about the European Community. They joined after a referendum in 1972 which gave a two-to-one majority in favour of joining. But for the next 15 years opinion polls suggested that they regretted their decision.

In 1985-86 a left-centre majority in the Folketing was on the verge of refusing ratification of the Single European Act when the prime minister called another referendum. Again, when faced with having to make a real choice, the electorate backed the EC.

The 1986 referendum put things in place. The parties opposed the Single Act, the Social Democrats, Radicals and the Socialist People's Party, have finally come to terms with membership. "The referendum created a new situation," said Mr Ellemann-Jensen.

Implementing the Single Act, however, poses some extremely serious problems for Denmark, arising from the high level of indirect taxation in Denmark.

If Denmark were to reduce its indirect taxes – the 22 per cent single-rate value added tax and purchase and excise taxes on heating oil, petrol, sugar, alcoholic beverages, tobacco goods and most consumer durables – to the average level in the Community, it would cause a loss of revenue of at least DKr40bn, or about a third of the government's revenue from indirect taxes, says a government study.

It is this issue that caused Mr Auken, in a recent essay, to write: "The EC's internal market can become a nightmare for the Danish economy and mean a brutal farewell to the welfare state. But we have no choice. We are there, like it or not." He pins his hopes to the contribution that Denmark can make to developing the social dimension in the EC. "We want a welfare model on the European level, not to dismantle what we have in Denmark."

"This is a very real problem," said Mr Niels Helveg Petersen, the economy minister. "If we brought down our taxes rapidly to the levels proposed by the Commission it would increase our balance of payments deficit by DKr25bn.

"It is obvious that we have a problem here which goes to the heart of our economic policy. We expect our partners in the EC to understand this."

If border controls were removed overnight, there would be a stampede to buy a wide variety of highly-taxed products across the border in Germany, which has few taxes on consumer durables, much lower taxes generally, with a two-tier VAT rate of 7 and 14 per cent.

But borders will not be opened on January 1, 1993, according to Mr Helveg Petersen.

Referring to a report by Danish officials, which has looked at the legal commitments undertaken by signatories to the Single Act, he says that there are no commitments to abolish border controls for the purposes of preventing smuggling, controlling immigration, catching terrorists, or where veterinary controls are concerned ("no one imagines Britain is going to relax its controls against rabies," he said).

In his view, these controls will not prevent free movement of goods, services, capital and persons, to which the Single Act is committed.

At the suggestion that, rather than preparing for tax approximation, Denmark is actually preparing a rearguard action to maintain its high indirect tax rates as long as possible, Mr Helveg Petersen becomes indignant and emphatic that this is not the case. He insists that adjustment can only take place over a period of some years. He also points out that the government is preparing one of the most radical reforms of taxation in the country's history.

If the implication is supposed to be that the Danes are the EC's foot-draggers, he resents it. "We are very good Europeans," he says, and points out that not only is Denmark arraigned before the European Court less often than any other country, but that it sometimes wins its cases

"We are on target, or ahead of it, in the liberalisation of capital markets. We are on target in removing technical restriction to trade. We are on target administratively. We are prepared to strengthen the European Monetary System, and we are not opposed to a withholding tax [on interest on bank deposits]," he points out.

Hilary Barnes

TOURISM

VAT is offputting

IN THE fairy-tale land of Hans Christian Andersen, the golden goose may still be able to lay the much desired egg – but only if the VAT on eggs drops.

Tourism is Denmark's fourth largest export industry which brought in nearly DKr16bn in 1988 but, as Ms Alice Hoeltzel, press officer for the Danish Tourist Board, admits: "Tourism is increasing but not enough." One of the acknowledged drawbacks of this "Little Country With Lots To Offer", as the campaign slogan goes, is the high VAT rates.

Denmark has a flat rate of 22 per cent VAT on all goods, not including additional taxes on "poison" goods such as tobacco and alcohol, which helps to push up the prices of everything from plastic Little Mermaid souvenirs to fur coats from Birger Christensen. Since no immediate solution seems to be in sight, the 86,000-strong Danish tourist industry is still having to pin its hopes on the harmonisation following 1992.

After the scare of a sluggish high season due to a particularly wet summer and the Chernobyl disaster in 1987, the Danish Tourist Board began more serious campaigning in Norway, West Germany and the UK to try to hold on to its share of the European tourist market.

Not surprisingly, tourists from Sweden, Norway, Finland and Iceland still make up the largest proportion of visitors in Denmark accounting for more than a third of tourist receipts in 1988.

Part of the reason for this is that Copenhagen International Airport is the hub airport for the Scandinavian international airline SAS, which means that many on-going flights to the rest of Scandinavia are forced to transit through Copenhagen.

The airport has recently put in a DKr125m shopping centre with cafés and restaurants in order to make it more attractive.

Denmark is also ideally placed geographically so that Norwegians, Finns and Swedes holidaying by car must transit through Denmark to reach the Continent. "Our Nordic visitors felt at home in Denmark where the culture and language is similar to their own," explained Ms Hoeltzel.

It is almost a tradition that many Swedish tourists come to Copenhagen to shop before Christmas since prices are marginally lower than in Sweden.

"Political indecisiveness has been a limiting factor, particularly to Copenhagen's growth as a meeting and convention centre," explained Mr Lars Blicher-Hansen, managing director of the quasi-governmental Danish Convention Bureau.

Since its peak in 1982 when Denmark was listed seventh most-used convention and meeting centre in the world, alongside New York, business has begun to decline due to lack of capacity and modern facilities.

Recently, however, new building projects in Copenhagen's centre have breathed new life into the city and there is now hope that planning permission will be given for a major convention and hotel complex near the city's harbour.

The provinces have also been successful at carving out a niche in the convention and meeting market with special centres for computer courses and a new total meeting centre concept marketed by the Danish company Scanticon. Conventions and meetings in Denmark earned a modest DKr6m last year and it is estimated that the sum will double by 1995.

Alan Harper

The Little Mermaid welcomes visitors to Copenhagen

The tourist board has set up a new division as, unfortunately, the Danes spend more money outside the country than foreign tourists spend in Denmark

The unfortunate fact that Danes spend more money on holidays outside Denmark than foreign tourists spend in Denmark has recently attracted renewed interest from the government.

This worrying difference, in a country that already has a serious balance of payments problem, has prompted the new division in the Danish Tourist Board aimed solely at attracting local holiday-makers to spend their Danish kroner in Denmark.

"It would be unrealistic to think that we could make a serious dent in the charter tour market to places like Spain and Portugal, but we do hope to keep up last year's increase," said Mr Erik Skjoldelev of the Danish Tourist Board.

The division, which was set up in April of last year, has a budget of about DKr25m and has increased local Danish tourism by almost 10 per cent since it was set up.

Xueling Lin

FINANCIAL SECTOR

Giants begin to stir

THREE LITTLE-known giants of the Danish financial sector are awakening to a new and active era of international combat, and they have every intention of putting those better-known institutions, the banks, in the shade.

"Those banks which continue to base their business on deposit-taking, and not transactions business, will die out. They are the dinosaurs of the financial markets," said Mr Thorleif Krarup, chief executive of Nykredit, the mortgage credit association. He has no such fears about the future of his own sector, which, if he is right, will wipe up the deposits lost by the banks.

The biggest Danish bank, Danske Bank, has total assets of about DKr176bn. This, however, is small compared with the two largest mortgage credit associations, Nykredit and Kreditforening Danmark (KD), which both have total assets of about DKr300bn.

But it is a time of rapid change for all the actors in the financial markets, banks, insurance companies and the bond and share dealers.

The three largest insurance-based groups, Baltica, Hafnia and Top Danmark, have now given themselves a holding company structure. This has enabled them to break out of insurance (Danish law says that insurance companies may not conduct any business but insurance) and into other financial services.

Baltica is perhaps the most adventurous in this respect. It is setting up a nation-wide chain of real estate agencies. It has bought the national ambulance, fire and vehicle rescue service company, Falck, and last month it startled the financial world by acquiring a 9 per cent stake in Hambros Bank, with which it sees affinities that can be exploited in co-operation with the bank.

The commercial and savings banks are on the brink of far-reaching structural changes, but although most bankers are convinced that a wave of important mergers is just around the corner, the mergers have yet to happen.

It is widely accepted that Denmark is over-banked, with some 70 commercial banks and 140 savings banks to serve 5.1m people. However, 18 banks and 10 savings banks account for 90 per cent of the respective market shares. To stay competitive in the newly liberalised European financial services market, to have fewer banks, with a better costs structure, is seen as the way ahead.

The two biggest banks, Danske Bank and Copenhagen Handelsbank, already have substantial minority holdings in big regional banks. This probably points to the way the mergers will eventually go, but the regional banks are so far resisting the jaws of their big cousins in the capital.

Meanwhile, the larger banks are active internationally, with subsidiaries or branches in London, New York, Singapore, and Hamburg. A feature of the accounts of the big banks in 1988 was the profitability of their foreign subsidiaries. In the case of Privatbanken, about half its group operating profits came from its banks in London and Luxembourg.

This year will be a significant one for the savings banks, since legislation which took effect at the New Year enables them to turn themselves into joint stock companies.

The savings banks operate under the same banking act as the commercial banks and may conduct the same kinds of business. The only difference between them is that the savings banks cannot go to the market to raise equity capital.

The new law changes this situation. The second-largest of the savings banks, Bikuben, is already in the process of conversion. The biggest, SDS, plans to convert in the autumn.

The mortgage finance institutions are also in the first stages of internationalisation. KD, Nykreit and the third of the general mortgage associations, Byggeriets Realkreditfond (BRF) are active in London and Germany. KD has an office in France, and Nykredit last year bought a small German bank with the right to issue bonds.

The commercial and savings banks are on the brink of far-reaching structural changes

The de-regulation of Europe's financial markets will put an end, at least theoretically, to the monopoly which associations have in Denmark and, more importantly, it will enable them to expand internationally – and they believe that they are in a strong position to do so.

The Danish mortgage system, which is almost 200-years-old, is based on the issue of bonds for the individual borrower by the mortgage associations, which are "self-owning" associations of borrowers."

"There is precise matching between assets and liabilities with respect to maturity, interest and currency. The credit risk is the only risk carried by the institute, and therefore the mortgage credit sector operates with a low interest margin of about 0.5 per cent," said Mr Krarup.

The system, used for most mortgage financing domestically, has given rise to a large and efficient bond market, ranking ninth in the world by the value of bonds listed, at nominal value, with the amount in circulation about DKr1,200bn and turnover of about DKr5,500bn.

The two big Danish associations are also large by international standards, twice as big in terms of assets as the two biggest German hypothek banks.

Mr Krarup's reason for thinking that bond-issuing institutions such as his can look to the future more confidently than the banks and building societies is that he thinks more and more savings will leave the banks and be channeled into bonds, which give better returns. The reason the returns are better is because the market operates with minute staffing and administrative costs compared with the commercial banks, savings banks or building societies.

The Danish mortgage credit institutions are well prepared for competition in Europe. Their capital base is stronger than similar institutions in Europe. In Nykredit's case reserves of DKr16.6bn are 5.5 per cent of total assets. Since it is expected that the reserve requirements for mortgage credit institutions will be raised closer to the levels being demanded of the banks, the Danish institutions will be in a strong position.

Their next move may be to convert themselves into joint stock companies, which, it is expected, they will be permitted to do under legislation now in preparation.

This will make it easier for them to go to the capital markets for finance ("when we tell people that we are an association, they think we must be some kind of bingo club," said Mr Krarup) and it will enable them to extend the scope of their business.

Danish institutions are learning the hard way about the difficulties of operating abroad. A £25m Danish Docklands project, Greenland Passage, where 152 luxury flats have been built, is having trouble selling the flats after the rise in UK interest rates. KD, Privatbanken and the two building companies involved, Islef and Christiani & Nielsen, have formed a company to fund the project until such time as the flats can be sold, with KD putting up most of the backing.

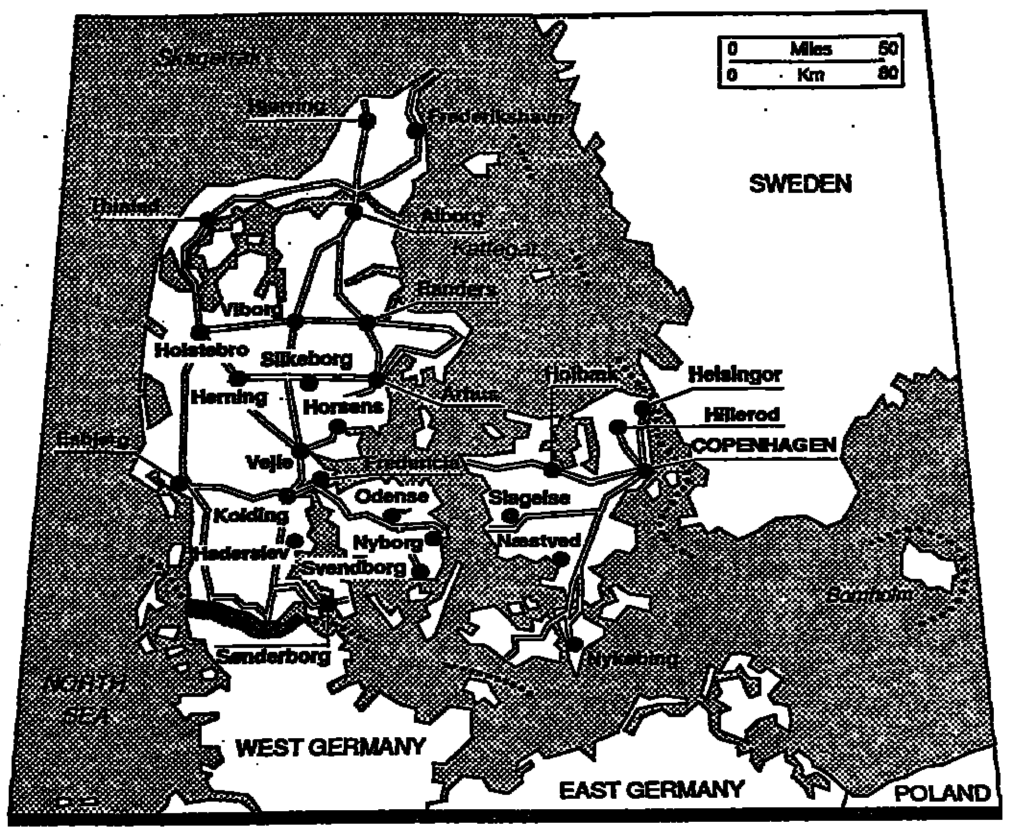
Nykredit is involved in a £50m residential and office project, The Circle, near The Tower, but is not providing mortgage finance until the price paid by the final buyer is known.

Meanwhile, in the domestic market, 1988 brought some unexpected problems. First, there were several projects on which the institutions were accused of having lent more money they they were legally entitled to do, which came to light when the market turned sour. Second, the position of the householder has deteriorated over the past two years, as a result of changes in the mortgage finance system imposed by the government in an effort to force home-buyers to save more, and by a reduction in the tax deduction for mortgage interest to a flat-rate 50 per cent.

Those who bought houses at high interest rates in the early 1980s have been badly hit, with a 45 per cent increase in foreclosures on residential property last year telling the sad tale.

Substantial increases were therefore made in loss provisions by the mortgage associations. However, 1988 was also a year with big increases in bond prices, so the net profits of the institutions just about doubled – in Nykredit's case from DKr1.36bn pre-tax in 1987 to DKr2.50bn last year.

Hilary Barnes



AP MOELLER

Success on the seas

AP MOELLER, the shipping, oil and industrial group, may be the biggest business conglomerate in Denmark but it has always favoured a low public profile. Self-confessedly conservative, it does not go out of its way to blow its own trumpet. But then it really does not have to because its satisfied customers across the world are testament enough to the group's reputation for professionalism in the international shipping industry.

In its last published results for 1987 the group made a profit of DKr2.7bn before depreciation and announced new investments totalling DKr3.3bn, a remarkable result in a sector of business that has stagnated for many years.

With a fleet of over 100 ships and a total 6m tonnes deadweight, the Moeller group is a major trading company across the world. The founder, Mr Arnold Peter Moeller, was far-sighted enough in 1928, 24 years after the group was established, to start a cargo liner service under the name of Maersk line to link the US with the Far East. But it was only last April that Maersk Mc-Kinney Moeller, the 74-year-old son of AP, agreed to expand the group's operations to the North Atlantic routes. The Maersk line is now the world's third largest container operator, with a particularly strong presence in the US from coast to coast.

The natural caution has done the group no harm. Moeller was a late entrant into the container revolution but this proved to be a genuine advantage since the group could learn from the mistakes made by others. Its highly complex structure, with two separate shipping companies interlinked by joint business activities, may often confuse the outsider and make it difficult to know just how much the group is worth. The company, however, is still very much under the shrewd, personal direction of Mr Maersk Mc-Kinney Moeller, whose door is always open to managers with new ideas, though not to the media which he keeps very much at arm's length.

The cool, rather formal, atmosphere in the tasteful but austere headquarters on the waterfront close to the Royal Palace in Copenhagen, reflects a quiet competence in a group that has to operate in a highly sensitive and harsh international climate. Last year Moeller displayed its confidence in the future of container trade at a time when other companies were contracting their activities. The company decided to manufacture a series of 12 advanced container vessels at its own modern shipbuilding yard in Odense. The yard has a surprisingly full order-book in an industry that has been almost wiped out in Europe.

Active from the early 1960s in the oil and gas business, Moeller holds the concession for exploration in parts of the Danish section of the North Sea continental shelf, where it operates through a consortium with Shell and Texaco. The Dan field is expected to meet as much as two-thirds of the country's total oil and gas consumption.

The group is also building up its presence in aviation.

Continued on Page 6

Mergers and acquisitions

Big is beautiful idea takes hold

THE NEW year of 1989 has been a time of new resolutions for Danish industry. The old, acknowledged ideology of "small-is-beautiful" has given way to a new "big-is-better" mania in the business community.

A wave of mergers has swept all sectors of Danish industry over the last three months based on the prevailing belief among businesses that they need so-called "industrial locomotives" to push a flagging economy along.

The term "industrial locomotives" was coined from an analysis by a group of businessmen, civil servants and trade unionists, titled, "Has Denmark a future as an industrial nation?"

In the analysis, the group argued for "large integrated industrial complexes which might function as locomotives in production, development and research."

Denmark's membership of the European Community and the approach of the single market in 1992 has drawn attention to the comparatively small size of Danish companies. Denmark has only two companies among the 500 largest companies in Europe.

(Switzerland, which is about the same size as Denmark in population, has more than 14 "Europe-500" companies.)

The hope is that Danish industry by increasing its size will benefit from the economies of scale, and be in a better position to compete with its big neighbours West Germany, Sweden and the UK.

To date, most of the heavy weight mergers have taken place between companies which are already in a healthy position economically: merger activity has not involved moves to save sinking companies.

Three of the largest companies in the food industry merged at the beginning of the year to form the largest company in Denmark. The new food giant, Danisco, has turnover of Dkr13bn and it has brought together three manufacturers which specialise in different food products: sugar, snaps, a popular Danish hard liquor and emulsifiers.

At the same time, the new company bought over a leading packaging company, Raackmanns Fabrikker, which specialises in flexible packaging for the food and beverage industry. The packaging company appears to be the last brick in the complex Danisco puzzle of creating a self-sufficient food company.

One of the most welcome and logical mergers to take place has been in the pharmaceutical industry between two of the largest companies, Novo and Nordisk Gentofte. Together they hold about 65 per cent of the insulin market in Europe and are the chief rival to Eli Lilly in the US market.

The post merger Novo-Nordisk will have a 950-strong research base and it is hoped that the marriage will have cut out any wasteful research duplication.

Not all the mergers that have taken place support the "locomotive" idea since many Danish companies, although large by Danish standards, have very little impact on foreign markets.

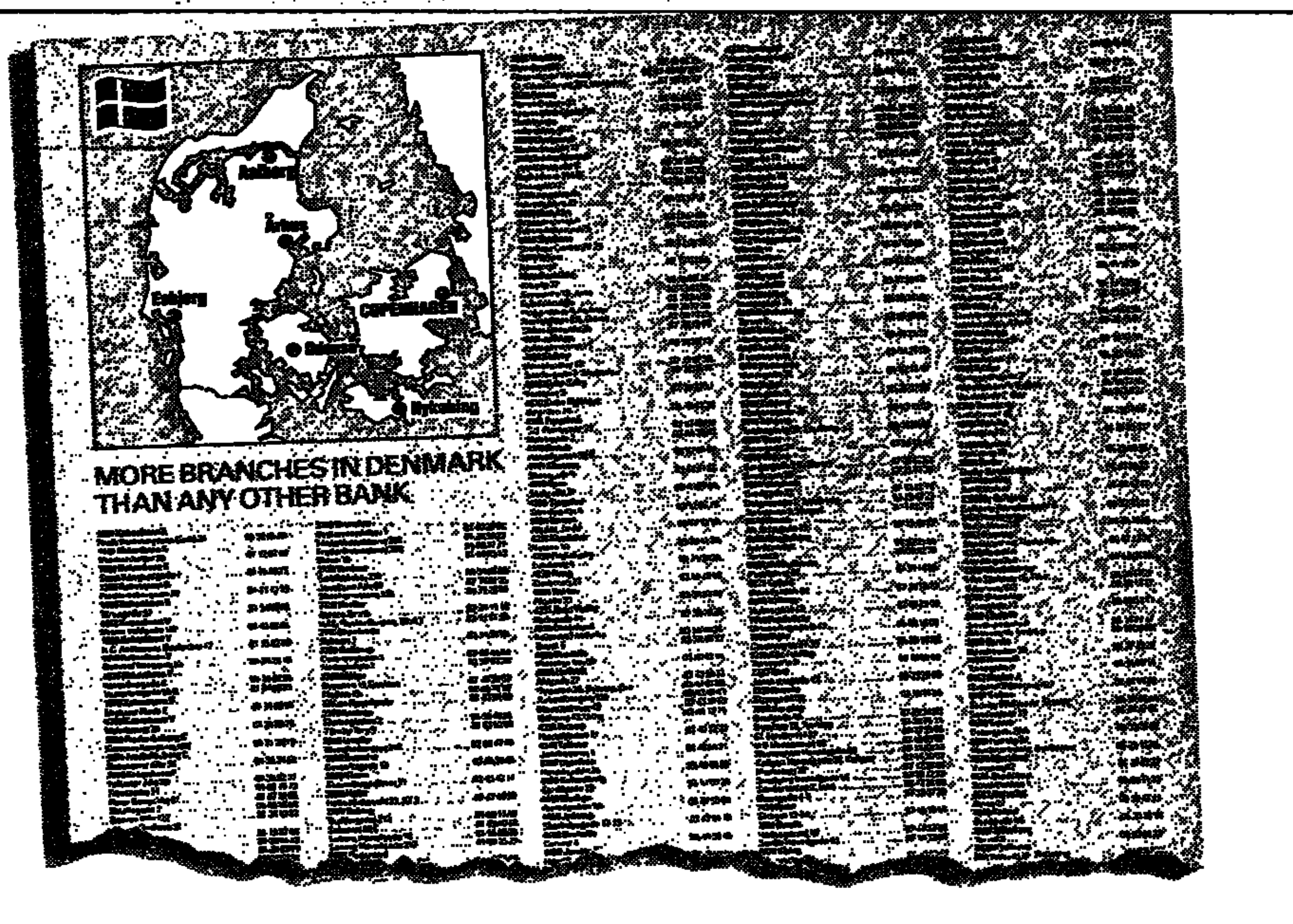
This is the case with the Spies-Tjaereborg venture. Spies Rejser is the dominant charter travel group in Denmark and its purchase of its chief rival, another Danish travel group, Tjaereborg, means that it now can claim over 80 per cent of the Danish market.

On the European scale, however, the new travel group is only a modest fourth or fifth. Although Spies has shown no signs of raising prices as yet, its monopoly position has been referred to the European Commission – so this may be one takeover that might have a negative domestic affect in the form of more expensive charter tours.

According to the West German research institute, IFO, in a recent report on Denmark, the spate of mergers has been an important step but will not necessarily save the country from economic stagnation.

Much more important are the questions of high direct taxes, high wages and low productivity which need to be solved not by industry alone but by Government policy.

Xueling Lin



CARLSBERG

Beer that goes down well the world over

IT IS not really surprising that Carlsberg lager has become synonymous with Denmark. After all, it was Mr Carl Jacobsen, son of the founder, who presented the famous Little Mermaid to the city of Copenhagen in 1913 and Carlsberg is associated with the running of the Tivoli gardens.

Its own sprawling brewery in the inner city is now an extraordinary mixture of modern technology and the bizarre buildings of the founding father and his son with their ornate rooms, more in keeping with a Greek temple than the home of a family making their wealth out of selling beer.

Today, Carlsberg and Tuborg which it acquired in 1970 have become an international conglomerate, known as United Breweries, with markets across the world. Their beers are now exported to 140 countries and brewed under licence by 48 breweries in 28 countries.

Founded in 1847, export-orientated Carlsberg was moving onto world markets almost from its birth: it began exporting to Britain in 1868, where it remains very strong with a brewery in Northampton (opened in 1970) and a distribution network through the Grand Metropolitan group.

But the company also began exporting to East Asia and South America in the 1870s. The posters hanging on the walls in the Carlsberg Museum testify to the onward march of lager in the heyday of European imperialism to China, Malaya and Hong Kong.

The volume of sales outside Denmark of all the group's beer brands is today double that of its domestic market. Last year, Carlsberg achieved the best financial results in its history, with a post-tax profit of DKr540m, a 23 per cent increase on the previous year. Its annual turnover in 1988 rose by 9 per cent to DKr10bn.

The group has virtually satiated its home market and it recognises the difficulties of any further penetration for its brands in West Germany where it remains the biggest imported beer supplier.

Carlsberg beers are exported to 140 countries and brewed under licence in 28 countries

Beer drinkers are generally conservative customers, however, and it is hard to break traditional drinking habits. Carlsberg has high hopes of building up sales in the wine countries of southern Europe, particularly in Spain where it has had a controlling interest in the Union Cervercera group since 1985, and Italy, where Carlsberg took over Industrie Poretti seven years ago.

The harmonisation of duties inside the European Community by 1992 will have mixed results for Carlsberg, but it may lead to a price war in a highly competitive market.

It will be less easy for the group to build up its presence in the North American beer market, but last year Carlsberg reached a co-operation agreement with Labatt, the largest brewing group in Canada, and through its existing joint venture with the US company Anheuser-Busch the group has been making steady progress in the US.

Carlsberg also has a substantial presence in the developing world. It built its first brewery outside Denmark in Malawi in 1968. Three years later another was built in Malaysia and, in 1981, the group established a brewery in Hong Kong.

The company's business activities nowadays are not restricted to making beers. As a result of its intensive research programme, Carlsberg has developed a number of group companies over the past 10 years, which manufacture products for the food industry, the control and automatic processing of fish and meat products and the making and marketing of peptide synthesis technology. It is not widely known that the group also owns the Royal Copenhagen Company which manufactures porcelain, silverware and household glass.

The brewing business is highly competitive and the challenge of 1992 will provoke a rash of mergers and acquisitions, but observers say that Carlsberg will remain invincible. Under its structure at least 51 per cent of the share capital of the group has to be owned, according to its statutes, by the Carlsberg Foundation, established in 1876. That group is also famous for its wide range of grants and bequests in both the arts and sciences.

In the past few years, Carlsberg has gone through a period of rationalisation. A third of the workforce at its Copenhagen brewery had to go and DKr450m was invested in a new bottling plant.

Robert Taylor

Carlsberg brewery, Copenhagen

FUR FARMERS

Monopoly under strain

FUR FARMERS in Denmark have been making good progress in sales to the US and East Asian markets in recent years, but they have begun to tread more warily in Europe. A recent fine by the EC Commission on the Association of Danish Fur Farmers for the violation of EC competition rules has sparked off an appeal by the association to the European Court of Justice in Luxembourg.

The Commission slapped on the DKr400m fine because 99 per cent of Danish fur farmers belong to the association which in turn sells the furs on commission through its own auction houses.

This is seen as an abuse of a monopoly position. However, Mr Helge Olsen, of Danish Fur Sales says: "The fur farmers are under no obligation to sell their furs via the association." The irate fur farmers have argued that the Commission is not in a position to asses the local fur market because it has an insufficient understanding of the special nature of the market.

Fur farming has a long tradition in Denmark and the other Scandinavian countries, having started in Norway in 1914; it is one of the few genuinely integrated Scandinavian industries.

Some concern in the 1950s that the four countries, Denmark, Sweden, Norway and Finland, were too small to compete against the US and Canadian breeders, prompted the creation of a common marketing body called SAGA. This organisation deals only in farmed furs and not with furs from wild animals.

Until now, the system of the fur farmers selling their furs to the fur associations, which then market the furs via SAGA, has worked well.

Scandinavian furs now dominate the world fur industry, jointly producing half the world turnover in mink furs and close to 90 per cent of the world turnover in farmed fox furs. Danish mink furs alone had a turnover of DKr2,551m 1987.

The mild winter in Europe and the fluctuating US dollar have brought fur prices down in recent months, but this is regarded only as a temporary situation.

"The fur trade is very seasonal," explains Mr Nils Liljestrand, head of information for SAGA.

The association has been actively encouraging demand for fur having recently opened a special centre which offers free courses in fur design for gifted design school students.

The SAGA International Design Centre opened in the north of Copenhagen in December 1988 and has already had its first round of students from the UK, Hong Kong, Japan and Spain.

"We give the students a chance to work with fur which they would not normally have, since fur is too expensive a material for most design schools," said Mr Liljestrand. The centre also offers design instruction and fur-marketing courses.

Xueling Lin

ISS

A clean market sweep

A PIECE of advice for anyone who wants to establish the world's leading office cleaning and building maintenance business: first find your Poul Andreasen.

The chief executive of Denmark's ISS has been with the company for 25 years, and in that time has developed it from one of many Danish cleaning and security companies into the biggest group of its kind in existence, with a world-wide labour force of some 115,000 and a turnover which in 1989 will increase by at least 25 per cent to Dkr8.5bn.

And this may be no more than a start. While ISS is market leader in several countries, and has a market share in Denmark itself of about 50 per cent, in some of the other markets where it is the biggest single company, as in the US, it has only 2 or 3 per cent of the market. Clearly, there is scope for expansion.

Having caught your Poul Andreasen, the question is:"How does he do it?"

The truth is probably complex, but one of the central concepts in the development of ISS is a determination to improve the status of the labour force in an industry where the 'Mrs Mops' have never been ranked with the industrial elite.

"Our staff are professionals, and they should be regarded as professionals," says Mr Ib Goldschmidt, a member of the management board.

This means that a very substantial effort is put into education and training, which is designed to ensure that the customer receives good service – and also to reduce staff turnover in a business where many people work part-time and where job rotation is often high.

"We need job satisfaction, and if we don't do something about it, we just won't get the staff we need," says Mr Goldschmidt.

The training, which takes place at all levels, is a step towards devolution of responsibility and decision-making in order to give the individual greater influence over his or her work situation. The policy is pursued throughout the group, whether in Denmark, Brazil or Britain.

The programme is called the Partner Project, and to emphasise the importance attached to relations with employees, ISS in 1988 became the first Danish company to make a directed share issue to all employees, not just in Denmark but world-wide.

In 1988, ISS had over 60,000 employees, but it has recently acquired a large company in the US, ADT, with a turnover of $200m and 26,000 staff, as well as the UK Mediclean hospital services group and a large cleaning company in Sweden. Its total labour force now is about 115,000.

ISS' business operations fall into two main categories: building maintenance, which includes cleaning, linen and canteen services; and building automation, which covers energy control systems and building management services.

In addition there are a variety of special services, hospital cleaning, supermarket services, abattoir cleaning, and so on.

In 1989, ISS hopes to obtain a listing on the London Stock Exchange in connection with a planned share issue. Its US subsidiary, ISS, already has a listing in New York.

Hilary Barnes

DANFOSS

Classic rags to riches story

IN THE middle of the wheat fields in the agricultural belt of southern Denmark stands a solitary skyscraper. Danfoss at first glance seems to epitomise the rags to riches tale; what started off in 1933 as a one-man business in the loft of a farm has grown to become one Europe's leading producers of automatic control parts, which range from small domestic thermostats to hydraulic motors for massive farm equipment.

The name, Danfoss, is often little known being hidden behind the label of the manufacturer of the finished product but it is not a glory that Danfoss grudges. The company philosophy is outlined by Mr Hans Gustavsen, vice president of Danfoss: "We see ourselves primarily as a supplier of high-quality components which help to make life easier and which contribute to the environment."

In 1971 the Bitten and Mads Clausen Foundation was set up, named after the founder of Danfoss and his wife. The foundation has held the majority of shares in the company since then. The share capital today stands at DKr400m.

Danfoss' position in Danish industry is rather unusual. This is not simply because it is one of the largest industrial manufacturers in an economy that is still largely dependant on the food and agricultural sector, but also because of its attitude towards exports.

The company sells 90 per cent of its products overseas and over the past five years average sales growth has been 8 per cent.

Net sales for 1988 totalled DKr6,347m. Since the 1960s the company has been carrying out an almost text-book expansion into West Germany, Japan, the UK and most recently the US. It starts by opening sales representative offices, then progresses onto acquiring its distributor and finally taking over a factory.

The success of this formula seems to be borne out by the West German market which represents Danfoss' oldest overseas presence, the company having opened a hermetic compressor factory in Flensburg, in northern Germany, in 1956. Danfoss now holds a leading share of the West German market for compressors.

"If you want make any real impact on a market you must manufacture part of the product in the country, even if it is pure assembly, or you will not have any credibility," says Mr Gustavsen.

In 1979 Danfoss acquired its UK distributor, Dean & Wood, and five years later it took over a UK company which produces flow instruments, Flowmetering Instruments. The market that Danfoss is now hoping to penetrate is the US where it has bought an electronics company, Hampton Products, now a subsidiary of Danfoss Electronics .

"If we do buy another factory in the US it will be a 100 per cent takeover, we do not believe in doing things by halves," says Mr Gustavsen. This theory of doing things throughly has been carried out in the internal structure of Danfoss itself.

"If we do buy another factory in the US it will be a 100 per cent takeover, we do not believe in doing things by halves"

Last year the company began a vigorous decentralisation programme aimed at preventing it from slipping into the inherent bureaucratic sluggishness of a company with more than 13,000 employees. An added concern has been the possible damaging impact of any further expansion of Danfoss' headquarters, already 7,000 workers strong, on the small surrounding agricultural communities.

The company's wide range of products have been divided into six product groups which have become financially autonomous to a great extent. Each product group has to purchase materials and services from another product group at full cost. This has meant that each group could look for suppliers outside of the Danfoss group.

It has also acted as a spur to increased productivity and lower costs. Danfoss has fought shy of the recent spate of mergers in preparation for the European single market in 1992 that has swept all sectors of Danish industry.

As Mr Gustavsen explained: "We already have a strong company profile which we is leading us to successful growth, so why change?"

Xueling Lin

Success on the seas

Continued from Page 5

Maersk Air started its activities in 1969 and it is now a partner in Danair, the Danish domestic line. The group has only around 8 per cent of the Scandinavian market with a majority of the domestic routes within Denmark and is no immediate threat to the supremacy of SAS in the region. But the outlook could change with the onset of deregulation. Closer air links to Britain have already been established through Birmingham and the group is busy building up the air freight company that it started two years ago.

Moeller has diversified outside the energy and transport industries. It can now be found in the manufacture of components for the car industry like brake pads, fan belts and radiator hoses, as well as the production of automatic sand-moulding machines, cooling conveyors and other advanced technology for the foundry industry; and the manufacture of plastic products, disposable sterilised articles for medical use and PVC sheeting. The group has even advanced into the food and retail business through joint ownership of the Dansk Supermarket chain with F Salling of Arhus.

But the growth of Moeller beyond the core shipping business has not diluted its underlying philosophy based on unfashionable virtues like self-discipline and the sharing of responsibility through duty. Over 2,000 young people apply every year for a job with Moeller and the 85 who are successful have to go through a demanding training in language and management skills.

Company executives believe that Moeller will have to adapt to the needs of the European Community, though 1992 is not particularly central to the group's strategic thinking. It is the new EC company law which will require a different approach, perhaps making the group more sensitive to the outside world. On present form, Moeller will have nothing to worry about. And perhaps even many Danes will at last begin to appreciate the existence of the group as a highly successful business.

Robert Taylor

NOVO/NORDISK

Agreeable arranged marriage

NOVO INDUSTRI and Nordisk Gentofte, Denmark's two biggest pharmaceutical companies, are on the brink of a new future together. They hope to have their agreed merger blessed by their shareholders on April 29 so they can prepare their strategy for the 1990s as a major player in the highly competitive world pharmaceutical industry.

The new conglomerate – Novo/Nordisk – will have an estimated turnover of more than DKr6bn, equity capital and reserves of DKr6.5bn and 7,350 employees across the world. It will become the second biggest company in Denmark with an expected 7 to 9 per cent rise in its sales and earnings this year.

"The merger makes sense for both our long-term developments," argues Mr Mads Ovlisen, Novo's chief executive. He is pleased that the two companies have recently reported healthy profits for 1988, underlining the fact that their merger has not been forced on either of them because of financial weaknesses.

It is very much what he describes as an "arranged marriage" but not at the point of a shotgun. While Novo enjoyed a 30 per cent rise in its pre-tax profits in 1988 rising to DKr904m, Nordisk had a 16 per cent jump in its profits to DKr144m.

The primary reasons for the unification of two companies that have spent most of their lives since their formation in the early 1920s in fierce business rivalry, lie in the cost benefits to be gained particularly in the marketing and research of their pharmaceutical products.

Mr Ovlisen likens their traditional relations to the feelings generated between Swedish and Danish football supporters, but he believes there will be few serious problems in moulding the two together through a strategy of expansion.

The new company will start with 50 per cent of the world's insulin market and more than 65 per cent of all insulin sales in Europe.

In the US, Novo has not made as much progress as it had hoped in the face of the dominant position enjoyed by the US insulin manufacturer, Eli Lilly, but this could change in the future.

Novo has enjoyed particular success over the past year in its sales of hormone replacement products, which went up by over 50 per cent to DKr100m.

With almost all its research and development concentrated in Denmark Novo/Nordisk can be expected to make further breakthroughs from pooling their resources.

"Our survival depends on us developing new products," says Mr Ovlisen. In 1988, Denmark was the first country to give the market go-ahead to Novo's new human insulin produced by the fermentation of genetically engineered yeast cells.

More than 10 countries have followed suit and others are expected to join them soon.

The new conglomerate is also expected to build up its bio-industrial business. Last year Novo enjoyed a 13 per cent increase in its sales in that sector to a total of DKr1.823bn. The company has an especially strong market in the detergent industry for its industrial enzymes.

Mr Ovlisen talks enthusiastically of the group's future prospects in the field of "green chemistry" through the production of environmentally safe products and anti-pollutants. "We want to be a very specialised player on the biochemical scene," he adds.

The main reason for the merger of the two former rivals lies in the cost benefits of joint research

There is no reason to believe that the new conglomerate will not succeed. Admittedly the two companies who are about to merge have different cultures.

But Mr Ovlisen is determined to ensure that Novo/Nordisk will be an open, decentralised enterprise with encouragement for initiative from below.

Robert Taylor

Worker at a Novo laboratory near Copenhagen — Alan Harper

BUILDING INDUSTRY

Slack sector looks overseas

DANISH building contractors may be going through a period of belt-tightening on the local building market, but they have not been complacent overseas.

Together with special financing from Danish mortgage credit institutions, they have increased exports from Dkr9.3bn in 1980 to Dkr18.7bn at its peak in 1984.

Mr Jesper Blou of the Danish Building Export Council, estimates that "the value of Danish building in the UK alone is at least Dkr2.5bn and there are probably between 500 and 1,000 Danish skilled workers working on Danish sites in the UK."

This use of domestic labour, combined with the application of up to 70 per cent Danish products on the building site, is one of the characteristics of recent Danish projects abroad.

"Our skilled workers are possibly more disciplined and well-trained than their British counterparts," claims Mr Blou. "That is why many Danish companies go on using Danish labour, despite the fact they are paid nearly double the wage of a British worker."

This argument seems to be borne out in reality. Danbyg, which is one of the biggest property development and investment companies in Denmark, started moving into the UK market in 1986 spending £8m on a site in Hammersmith.

The company's British arm, Danbuild, is now building in west London. Despite, or perhaps because of, its use of Danish sub-contractors and suppliers, Danbuild has managed to keep building costs at the west London location at £50 a square foot which is considered cheap by British standards for type of construction involved.

Danish investment in Britain has, however, run into some trouble recently due to the rise in UK interest rates.

The Danish company, Islef, which is heavily involved in the London Docklands where it is building 450 apartments, sold a large number of apartments last Spring. This year it has found it less easy to sell the stylish Danish-designed luxury apartments, particularly at its 152-apartment site at Greenland Passage.

Kreditforeningen, the Danish mortgage credit association, which has financed the building in the Docklands and is acting as surety against any losses, is negotiating for increased payments from Islef and its partner, Christiania & Nielsen, for the Greenland Passage site.

Property developers in Denmark have a very close relationship with domestic mortgage institutions because such institutions provide a special form of long-term loan that is based on the value of the property and not on the credit worthiness of the customer.

This form of financing has worked well in Denmark where the loans can total up to 80 per cent of property value.

Not surprisingly, local building companies are hoping to see a liberalisation of Danish law so that this form of financing will follow them on their overseas projects.

The Danish Government has been encouraging on this point – the Housing Minister, Ms Agnete Laustsen, acknowledged that "the financial side of Danish building exports will be considerably strengthened by a change in the mortgage loan law which we hope to have passed this autumn by parliament."

As part of a "massive export drive" encouraged by the quasi-governmental Danish Export Council, 10 Danish building companies are planning to build demonstration buildings in the UK, West Germany, Portugal and Spain.

Two demonstration buildings, displaying Danish building products, will be constructed in the UK as part of the 1989 'Denmark in Britain' campaign. The sites for the buildings have not been fixed as yet.

This emphasis on building exports comes in a slump period for local builders. Those hardest hit have been companies involved in the construction of offices and factories. Office development, particularly outside of central Copenhagen – which saw a boom over the last two years, fueled by money from the wealthy pension funds trying to avoid tax payments – has reached saturation point. Rents have slipped as much as 40 per cent, in some cases.

Denmark's building products export drive has coincided with a slump in domestic activity, particularly in the office and factory sectors

"Local building has definitely had to face a cutback. In money terms, the industry is anything from 20 to 40 per cent down on last year," estimates Mr Finn Hoelung from the consultancy, Building Information.

Construction in central Copenhagen has not been hit as hard as the provinces due to several large building projects which have taken up some of the slack.

The rebuilding of one of the major department stores, Illum, is nearing completion, as is a new Dkr400m shopping and entertainment centre, Scala, next to the famous Tivoli gardens and a planetarium in the banking district.

One of the largest heavy engineering projects to be undertaken in Denmark, the building of a Dkr17bn fixed link across the Great Belt, has given a welcome boost to the industry. The 18km link will connect Copenhagen to the Continent via the island of Funen and the Jutland peninsular.

The project has not only provided major contracts for Danish engineering companies, but has also prompted the plan for a 100,000 sq m new city centre in Odense, the largest city on Funen.

The contract for a major part of the link, called the West Bridge, was won recently by a consortium, European Storebaelt Group, which includes the UK company, Taylor Woodrow Construction, and the Danish company, Per Aarsleff.

The concrete bridge will carry both rail and road traffic and will cost Dkr2.9bn. As Mr Blou of the Danish Export Council explains: "Denmark could do with more projects like the Great Belt Link because they provide Danish companies with the experience they need for overseas projects. All we need is a favourable political climate."

Xueling Lin

EAC

A star in the East

THE EAST Asiatic Company is one of Denmark's most prestigious international trading, manufacturing and transport groups with a profit last year of DKr344m and net sales of DKr17.7bn.

Not bad for a business that was established in 1897 by Danish sea captain Hans Niels Andersen on the profits of a hotel in Bangkok. From the very start, its market as a merchant enterprise was based on trade between Denmark and the Far East with subsidiaries established in Shanghai in 1900, the year of the Boxer Rebellion and in Singapore two years later.

Today EAC has direct business operations in more than 40 countries. At the end of last year the group consisted of 128 companies with interests in a further 38 associated businesses.

The company is far more than a trading and transport concern. Indeed, it has a diversity of business activities organised in seven separate divisions under the general strategic direction of the company from its headquarters in Copenhagen.

"We favour a balanced development so that we can spread the risks and ensure that none of our sectors is forging ahead at the expense of the others," says Mr H H Sparso, EAC's presiding managing director. "But all our activities are based on our ability as good merchants. We are major players in the areas in which we operate."

It is true that transport remains extremely important among EAC's interests, accounting for 27 per cent of the company's profits in 1988 and 18 per cent of group turnover with satisfactory results on the liner/container services between the East Asia and Europe.

During the second half of 1988, EAC in co-operation with the South Korean company, Hyundai Merchant Marine, enjoyed particular success on the routes between Asia and western Australia. But the company is also doing well in the carrying trade in forestry products between the west coast of North America and Europe through the management of Johnson ScanStar company.

EAC's trading division accounted for 22 per cent of the company's turnover last year, with strong results in its timber activities, especially in Australia, Canada, Brazil and the Philippines.

With plantations in Malaysia and an increasing trade with China, EAC continues to perform satisfactorily in the area where it first began.

But last year the company's

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RESEARCH AND DEVELOPMENT

Major player in the field

DENMARK IS one of three OECD countries (the others are the US and UK) to have a technological balance of payments surplus: it sells more technology abroad than it buys.

But, at the same time, Denmark spends the equivalent of *only 1.2 per cent of gross* domestic product on research and development. This is lower than most of the countries *Denmark compares itself with:* Sweden spends 2.79 per cent; Finland 1.50; UK 2.32; and Germany 2.67 per cent. The reason *is that* Denmark spends almost nothing on defence R&D.

The Danish research-intensive industries – electronics, *chemicals* and *pharmaceuticals* – *also seem to spend less on* R&D as a share of value added than companies in the same industries in other Scandinavian countries, *according to a* 1987 report by the semi-official Economic Advisory Council.

The Jeremiahs also claim *that the high-tech share of* Danish exports, at about 17.2 per cent in 1987, is too low, and the share of medium-tech prod*ucts, at 30.2 per cent, markedly* lower than in comparable countries.

In fact the high-tech share of *exports* compares well with other countries (higher than in Holland and Norway, a little lower than in Sweden, but half the *share* in *Swiss* exports), *while the large share of low*-tech products is accounted for by the big role played by agriculture in Danish exports.

The Danish electronics and scientific instrument industry plays a bigger role in Danish exports than in the exports of *any other European country* except Belgium, according to the Association of Electronics Manufacturers in Copenhagen, and per capita exports of pharmaceuticals are higher than in any country except Switzerland, the pharmaceuticals manufacturers claim.

A high level of achievement in pharmaceuticals is exemplified by Novo for insulin and industrial enzymes, Nordiske *Gentofte for insulin* and blood products, and Lundbeck & Co, which has just introduced a new anti-depressant, which *lacks the side-effects of* the products in circulation for the past 25 years.

Radiometer and Bruel & Kjaer in medical electronics, Foss Electric in flow control equipment for the dairy industry, Bang & Olufsen in consumer electronics, Storno in radio communications equipment, are a few of the outstanding players in this field.

Other articles here give a brief introduction to a few other outstanding products or processes.

Hilary Barnes

Health foods

Peas for thought

HEALTH FANATICS may soon be able to abandon the tepid joys of tofu, a protein rich vegetable "cheese" made from soya beans, in favour of a new pea protein being produced by a Danish food company, De Danske Sukkerfabrikker. The new pea protein, which looks like flour, can be added to different meat products to give the same protein and nutrition content as meat while avoiding the high-cholesterol animal fat.

There are, in fact, several different products being developed from the peas, which can be used in the meat and brewing industries and bakeries. The new pea protein costs only DKr18 per kilo, considerably less than animal and even soya protein.

The major breakthrough in the production of the pea protein was the discovery of an ultra-filtration process which separates the carbohydrates from the proteins – the carbohydrate part of the pea being indigestible to humans. In the new process the peas are mixed with water to form a "pea soup" which means they can be cleaned better.

The soup is then broken down into five different parts – the pea shell, protein, fibre, starch and carbohydrates – which are repeatedly washed.

Only at the very last stage is the water removed and the different parts dried so that one is left with four flour-like products and a brown pea molasses. The pea molasses contains the carbohydrate part of the pea and is used as animal fodder.

The company is also hoping to carve out a niche in the UK and US markets, where consumers have the contradictory desires of eating white bread but wanting the health advantage of a high fibre content. There the new pea fibre can be *mixed with normal* wheat flour, without discolouring the bread or changing the taste to produce a white bread with the *same fibre content* as wholegrain bread.

The pea fibre also has the added virtue of having the same water-binding qualities as animal fat so that it can be used as a substitute for fat in the production of juicy meat products such as sausages and pates.

Xueling Lin

CFC GASES

User unfriendly

THE TARGET date of 1992 has been set by Danfoss, one of the world's leading manufacturers of refrigerator compressors, to produce a new compressor which does not release harmful CFC gases into the atmosphere.

Scrapped refrigerator compressors have become a much publicised source of CFC gas release into the environment, which is why Danfoss will spend a total of $10m on research to find an alternative in the next 3-5 years.

Danfoss does not, however, produce any gas itself, and the research is directed solely at designing efficient new compressors. At present the compressors of refrigerators and freezers are filled with a combination of oil and Freon 12, a CFC gas developed in the 1930s when the harmful effect of CFCs on the ozone layer were not known.

Freon, actually a Dupont trademark, acts as a means of transporting heat from within the refrigerator to the outside, while the cold is kept in the refrigerator. The new compressor, however, will use the recently developed Freon 143A, which is not as efficient at transferring heat and cold as Freon 12, but which does not contain the harmful chlorine atom.

"The difficulty has really been to adapt the motor and pump in the compressor so that they can work as efficiently as with the old Freon, since any substantial increase in energy consumption or drop in product life-span would also be harmful to the environment," explained Mr N J Josiassen, head of production and development at the Danfoss Compressor Group.

Preliminary tests suggest that the life-span of the new compressor should stay at the present length of between 15 and 20 years but that an increase in energy consumption of 6 to 8 per cent is unavoidable. The price of the new compressor will also go up by between 10 and 20 per cent.

Xueling Lin

UNIRAS

Software for the scientist

ONE OF the best ways of *understanding exactly what* happens inside an internal combustion engine when the fuel combusts is to picture it *with the use of computer* graphics.

The process is known as "scientific visualisation". The term has become something of a buzz-word in science circles since the importance of computer graphics techniques for scientific understanding were emphasised by a report by the American National Science Foundation in 1987.

A Danish software company, Uniras, is at the forefront of this technology. It dominates the field in Europe, though is yet to dominate the US market despite a considerable presence there.

Uniras was founded in 1979 by Mr Mikael Jern, a Swede, and initially specialised in producing graphics software to enable the oil industry to produce three-dimensional colour illustrations of seismic structures. The oil industry is still one of its most important customers. Uniras also supplies equipment to universities in the UK, France, Germany and Scandinavia, said Mr Jern.

Uniras' latest advances are designed to make life easy for the scientist with a programme called USEIT, introduced last autumn. The scientist "just wants to dial up and get graphics out of the machine," said Mr Jern.

It is a hardware-independent, user interface management system, which allows applica*tions developers to design their* own graphic interfaces on both workstations and mainframe terminals. USEIT meets all the criteria which the National Science Foundation report defined as essential for "SciVi" tools, according to Uniras.

Uniras has a turnover of about DKr100m.

Xueling Lin

COMPUTERS

An expanding network

THE RC 9000 is a revolutionary new computer that can detect its own faults. Developed by one of the oldest computer companies in the world, the Danish Regnecentral, has come up with a computer that can cope with large inputs of information and not make any mistakes.

The computer was designed with banks and insurance companies using reservation systems in mind. It is able to handle very large amounts of incoming and outgoing information even if the information *is being constantly updated* – what is known as on-line facilities.

The major breakthrough *with the RC 9000 is its high* level of reliability. Built to be "fault tolerant" it can continue to work accurately even if there is a failure in the system.

When the computer discovers a problem *it immediately* isolates the area and it works out for itself how to continue to operate in spite of the failure. The computer *is made up* of loosely connected processing units which can be put together in different combinations like toy building blocs.

This new computer "architecture" means that the RC 9000 has a very flexible capacity and can have up to 32 interconnected processing units. Each unit is capable of making 15 transactions per second.

The RC 9000, which is a medium-sized computer, is based on a UNIX operating system, a system traditionally used only for small departmental systems, which means that a company wishing to expand its capacity with a RC 9000 can go on using its old software on the new computer.

The new computer will make its debut in the UK in the communications network, the City Fiber Network. The network transports telephone and data traffic via optic fibre cables and the RC 9000 will be used to control this heavy flow of information.

Xueling Lin

Ground-meat products

Meat group blossoms

THE BIGGEST single investment ever made in the Danish food-processing industry is being made by Tulip, the meat processing group, in a plant for ground-meat products in Vejle, Jutland. The plant cost Tulip DKr350m last year, and the final cost will be higher.

When the plant is in full operation it will produce 195 products totalling 55,000 tonnes a year. The process is controlled by a computer integrated manufacturing (CIM) system, which brings together administration, planning and production control.

One result of the work on the Vejle plant is that Tulip has become the first meat processing business in Europe to be awarded funds under the EC's Brite research programme.

Together with software company Procos in Copenhagen, Danbrew, a subsidiary of Carlsberg, and OSL, a Dutch software company, Tulip will receive DKr8.5m for the development of computer integrated manufacturing systems for the food processing industry.

The purpose of the Vejle investment is to centralise production of sausage and luncheon meat products and liver pastes in one plant (Tulip has four old plants) and to use the newest technology to achieve maximum efficiency.

The plant was inaugurated last autumn, but it has experienced a lot of teething troubles and will not be working at full capacity until the autumn of this year, said Tulip's development manager Mr Lars Nielsen.

The problems have not arisen with the computer systems or software, he said, but with some of the mechanical machinery and transport systems, many of which are prototypes. Pumping some of the coarser ground-meat through pipelines proved to be more difficult than expected, for example.

The biggest difference between the Tulip plant and other plants performing similar tasks, said Mr Nielsen, is that the Tulip plant has six production lines – twice as many as any other plant – enabling it to turn out a greater variety of finished products.

Fully-manned, the Vejle plant will employ 233 people. If the same output were to be produced at Tulip's four existing plants, it would require an extra 200 staff, costing DKr44m more in wages alone, says Tulip.

Hilary Barnes

A star in the Far East

Continued from Page 7

most successful activities were in the distribution and marketing of equipment and products for the international graphics industry.

The business provided 31 per cent of EAC's gross profits in 1988 and 20 per cent of the turnover and EAC expects growth in this sector to continue this year. Although it has done well in North America as well as Britain in the graphics industry, the company has also been able to take advantage of its traditional Asiatic presence by opening up the China market as well.

Similarly in its consumer products division, EAC continues to perform strongly with its Asiatic customers notably in Malaysia, Thailand, Hong Kong and Singapore.

However, EAC is far from just being a company with an over-dominant part of its business activities based in Asia. Plumrose, with 23 per cent of the group's turnover in 1988, has strong production units in meat products, fish and vegetables particularly in Britain, Australia and New Zealand as well as Venezuela.

The company has an interest in hydrocarbons and real estate with a number of subsidiaries in the chemical and synthetic industrial textiles sector, primarily centred on Denmark. It also participates in oil and gas exploration in Danish waters in the North Sea.

The only area where EAC has experienced real difficulties recently is in its information technology division, which is chiefly centred in the US and Denmark though it has had some positive results in Thailand and Saudi Arabia recently.

"We have never lost sight of our global perspective," argues Mr Sparso. With less than 10 per cent of EAC's sales in Denmark it is not hard to understand why. Moreover, although the group sees the creation of the internal market inside the European Community by 1992 as an opportunity to develop more continental activities, it seems unlikely to lead to a narrowing of EAC's focus away from the rest of the world.

And yet the group has recently carried out what it calls a legislative audit of the legal framework for the internal market, looking closely at what the concept of a European company will mean.

Back in the early 1980s EAC went through some stormy waters, but it emerged relatively unscathed. Mr Sparso believes that the company's merchant spirit, based on high ethical standards and customer satisfaction helped to see it through.

To many Danes, EAC has a deserved reputation as a good employer. Nearly 500 a year try to get a job with the company but only about 20 are recruited.

Sitting in its impressive panelled head office, it is not hard to understand the *esprit de corps* that imbues EAC. In an unstable world market, it looks like more than holding its own.

Robert Taylor

AGRICULTURE

Among the largest food exporters

MODERN Denmark is the product of its successful emergence as an agricultural exporter in the final decades of the 19th century, when it became an important supplier of bacon, eggs and butter to the British market.

The image of Denmark as an agricultural country has stuck, which does not please its manufacturers or the authorities, who are keen to promote an industrial image for the country. By any reasonable definition Denmark is industrialised; only five per cent of the labour force is employed in agriculture and 70 per cent of its exports are industrial products.

But Denmark's industry is nevertheless indissolubly linked to its agriculture, past and present.

This point was made with some force in a study published last year by two Danish economists, Mr Kim Moeller and Mr Henrik Pade, in which they found that virtually all Denmark's most competitive exports, as defined by their share of world trade, were either agricultural or fisheries products. When the agricultural machinery and food processing machinery industries are added to the agro-industrial complex, these industries account for about 20 per cent of gross domestic product, while all other manufacturing industries accounted for about 20 per cent.

In addition to the 133,200 employed in farming, 56,000 work in food processing and about 17,000 in machinery industries related to agriculture and food processing.

Denmark is the world's 10th largest food exporter, a considerable achievement for a country of 5 million. Agricultural exports in 1988 totalled DKr44.5bn (including EC export subsidies of DKr 6.5bn), some 22.9 per cent of merchandise exports. With the addition of processed products such as sugar, beer and butter cookies, the total came to DKr 53.2bn, or 27 per cent of overall exports.

A much-discussed issue is whether Denmark's agricultural dependence is a problem or a boon. The problem arises because European Community and global trade policy difficulties make it more than doubtful whether agricultural production and exports can increase significantly over the next few years. If Denmark's external deficit is to be eliminated by increased productivity, the onus for achieving this is likely to fall on the manufacturing sector, economists argue.

Agricultural organisations are not too pessimistic, however, as Mr Oien Hoen, a director of the Danish Bacon and Meat Council explained. "Danish producers should be able to win market shares as living standards rise in the southern European countries," he said. The food processing industry will expand by increasing its production of convenience foods, which now account for about 10 per cent of total output.

The food processing industry will expand by increasing its production of convenience foods, which now accounts for about 10 per cent of total output

"And the big processing companies will invest in processing capacity, both in dairying and meat-packing, in other countries in order to secure enough raw materials to meet the demand for their products. Three meat processing co-operatives have already invested in slaughterhouses in Holland, the UK and Belgium, and MD Foods, the big dairy co-operative, is considering acquisitions in Europe and the US."

As a European agricultural exporter, Denmark stands out for the high proportion of its exports which go to third countries. This goes back to the 1960s, when Denmark was not a member of the EC and was forced to find alternative markets.

This development has had a profound effect on some of Denmark's traditional markets. For example, the Danes now have about 26 per cent of the market for imported bacon and pigmeat in the UK. The share was for many years between 42 per cent and 43 per cent. The meat is now exported to Japan instead, where it fetches a better price. In 1988 pigmeat exports to Japan totalled 126,000 tonnes, worth DKr3.85bn, compared with 150,700 tonnes exported to the UK, but worth only DKr2.76bn.

Saudi Arabia is now the second leading market after the UK for Danish butter and Iran has overtaken Germany as a market for cheese, by tonnage, though not by value.

Mr Hoen thinks that greater emphasis will be give to Europe over the next few years, partly because other suppliers, such as Taiwan, will gradually displace Danish pigmeat in Japan and partly because of the opportunities arising from the completion of the EC internal market in 1992.

In the primary agricultural sector, profound and painful changes have taken place during the 1980s. There are now about 40,000 farms which operate on a full-time basis. In 1970 there were about twice this number.

The change is well illustrated by developments in pig production. In 1970 there were 98,909 farms sending pigs to slaughter, but only 17 per cent came from farms delivering more than 500 pigs a year. In 1988 there were 39,141 such farms with 77 per cent of the pigs coming from farms delivering more than 500 and 30 per cent from farms delivering more than 3,000.

There have been two major financial crises in agriculture within the past 10 years, in 1979-82 and 1986-88. The effects of the latter have not yet worked themselves out; many more farms will be sold over the next two or three years.

Nevertheless, this spring has seen a return to a more optimistic mood in agriculture, and the explanation, in a country where pigmeat is the single most important export, is not hard to find: the producer price for pigmeat has been raised three times since the New Year.

Hilary Barnes

SEED

Grass firm grows

DANISH GRASS seed is less well-known than the country's bacon and butter but it enjoys a more dominant position in Europe than either of these.

Danish companies account for about 60 per cent of the grass seed sold in Europe. The leading domestic seed company is the Odense-based Daehnfeldt, which was acquired last year by Booker, the UK food and agro-industrial group.

The country's prowess in seeds was established by far-sighted farmers a century ago, who saw the market potential of pure seed. Since then production know-how has been handed down through generations of farmers.

"Booker did not only buy a firm; they bought the seed development know-how of a couple of thousand farms," said Daehnfeldt's managing director Mr Hans Laurids Johansen.

Besides grass seed, Daehnfeldt has pioneered flower breeding, and its subsidiary, Ohlsens Enke, is a leader in vegetable seed and breeding. At its research station near Odense (which is also the centre of the domestic horticulture industry), Daehnfeldt has 11,000 square metres under glass, of which 6,600 are used for plant development and research purposes.

Plant development from tissue culture is one of the leading lines of development. The technique, by which a few cells are developed in a growth culture, produces in the course of a single season a million identical plants from a single culture. This is the central concept in the marketing of potted flowers, such as begonia, cyclamen and gerbera.

The acquisition of Daehnfeldt by a non-Danish company caused considerable controversy, but Daehnfeldt and its employees are happy with Booker. "It is a big advantage to join a big international company, which provides much greater opportunities for expansion

HB

MD FOODS

Dairy co-op goes for size

THE Danish agricultural processing industries are almost entirely controlled by co-operatives owned by farmers and run on a basis of one member, one vote.

The co-operatives, which established their dominance at the end of the last century and have never let it slip, give farmers control of the entire production process from the farm to delivery to the retailer or distributor.

The co-operatives, however, are sometimes criticised as being out of step with the times. They have become so big that they have lost contact with their members, according to some critics. Another criticism, which appears in a Ministry for Industry analysis of the food processing industries, claims that Denmark has failed to maintain its share of world food markets because the co-operatives have paid insufficient attention to developing new products, spend too little on research and development, and that their potential for expansion is limited by their inability to attract external risk capital.

At the headquarters of MD Foods in Aarhus, Jutland, not much credence is given to the critics, which is not surprising. MD Foods controls about 60 per cent of the Danish dairy sector ("If any one wants to buy us out, they've got to buy 12,000 farms," said international director Mr Finn Christensen) has a turnover of over DKr11bn, and employs 6,000 people. It is the third largest dairy group in Europe and fifth in the world.

It has been created over the past 18 years by the merger of a large number of small dairies into one big group – which is still a co-operative and still controlled by the votes of the farmers.

The name MD Foods is new. It was introduced last autumn in order to stamp a corporate identity on the collection of co-operatives and products which had joined the organisation over the years. The name was also chosen in order to imprint the name of the dairy giant in the minds of consumers and, perhaps more importantly, buyers from the food trade all over the world.

Size is regarded as crucial as competition increases in the run-up to the EC's internal market. "MD Foods today has the strength to take on the international food giants; a strength that will ensure that the Danish dairy industry will not be routed when the big multinational companies show their teeth," MD Foods' chairman Mr Rasmus Jensen, a dairy farmer himself, told members in the annual report for 1988. The company's main markets are in Europe, the US, Saudi Arabia and Brazil, but it exports to more than 100 countries. About 45 per cent of the group's turnover comes from exports.

Mr Christensen said that the group's strategy is to be sufficiently big so as to be in a strong position against buyers from the retail sector, in which large chains are expected to acquire an increasing dominance. Sometimes products will go into stores with an MD brand name product, sometimes under the store's own brand name. "The thing is to make sure our products are in the stores in one way or another," he said.

Traditionally the dairies took the market as given and sold what they produced. Now, Mr Christensen says, "if we can find a market, we produce a product we can sell to it." For example, MD Foods has just introduced a cow-milk variety of a traditional Spanish cheese made from goat or sheep milk, while in Hong Kong a market has been found for a milk product for babies. Production of Danish milk is limited by the EC's milk quota policy. The group is therefore considering buying dairies elsewhere. It is looking at the UK and the US especially, but so far no investments have been made.

Expansion into production of non-milk based foods is another line of development. This would exploit the group's technology and expertise in dairying and its existing channels of distribution for juices, pureéd fruits and coffee whiteners, among others. More convenience foods, especially desserts, are also in the production programme.

Hilary Barnes

TULIP

Drive to improve earnings

TULIP, the meat processing co-operative, accounts for about 25 per cent of all pigs delivered for slaughter in Denmark. It is not only the biggest abattoir and meat processing business in Denmark but the biggest in Europe.

The group is the result of a process which has seen the number of co-operative meat processing groups reduced from more than 50 in the 1960s to nine today. Between them the nine groups took delivery of 15.8m pigs in 1988, up from under 10m in 1970.

Tulip, which has its headquarters in the east Jutland town of Vejle, is owned by 15,000 farmers. It has a labour force of some 6,000. It took delivery of 3.6m pigs and 113,000 cattle last year; its 1988 turnover of DKr6.3bn was almost double the figure five years ago.

Earnings in the pigmeat sector have not been impressive over the past three years. This is partly because the depreciation of the dollar in 1985 affected exports of canned hams to the US, and also because of tough competition in all markets and relatively high Danish wages and interest rates.

Tulip's net profit in 1987-88 fiscal year was DKr128m, compared with DKr104m in 1984 when turnover was only DKr3.7bn. Group equity capital of DKr382m is only 17.1 per cent of assets.

Substantial investments in rationalisation, a new processing plant for ground-meat products, and in convenience foods also helped to explain the dip in Tulip's earnings. Last year Tulip invested DKr543m, which was double the 1986-7 level and five times as much as in 1984. It is hoped that these investments will improve earnings, especially when the group's modern ground-meat processing plant is fully operational later this year.

Tulip has so far sold traditional products to traditional markets, says director Mr H A Carstensen. These include bacon and fresh meat to the UK, where Tulip Meat company is the leading supplier of Danish meat, fresh meat to Japan and canned hams to the US.

About 27 per cent of sales are domestic, 35 per cent go to the rest of Europe, 20 per cent to Japan and 12 per cent to North America at present.

The European market is expected to become more important in the future, both under the influence of the European Community internal market in 1992 and because it is a growth market for products with high value added, such as convenience foods.

Denmark's high veterinary standards have given it an advantage in its export efforts, but the price of this is that the country has Europe's highest raw material costs for a processing industry. A gradual improvement in veterinary standards in Europe, bringing them up towards Danish levels, is expected to give Denmark an advantage by equalising raw material prices in Europe, said Mr Carstensen.

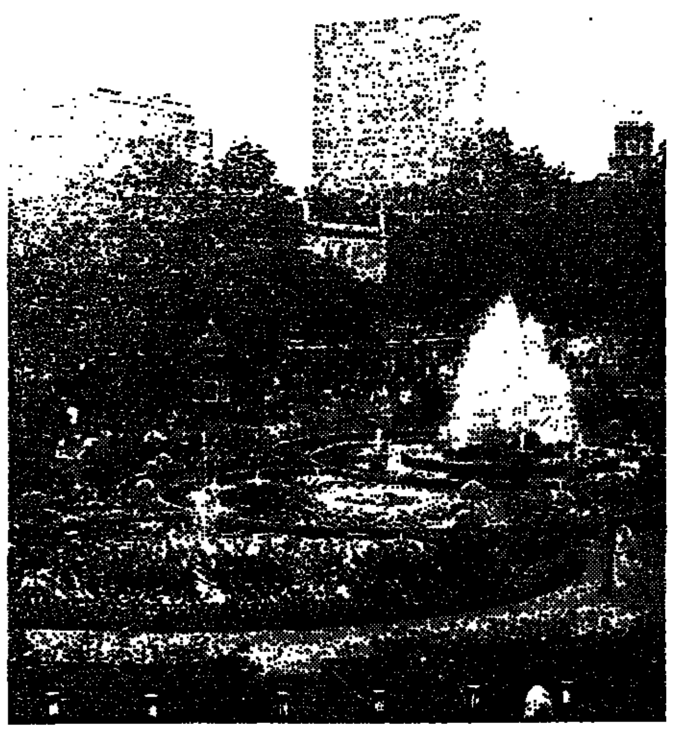
Tulip is a well-known brand name in some markets, but the consumer of the bulk of Tulip's products is probably not aware that the meat is Danish, let alone that it is Tulip's. Future sales strategy will use the brand name for some products, but often the product will be sold under the brand name of a retail chain.

Tulip is not one of the slaughterhouse groups which has so far bought equity in a slaughterhouse elsewhere in Europe, but this could be the net step in its strategy to ensure that it can meet future demand.

HB

Hilary Barnes provides a guide for the business traveller

Be on time and come to the point



Phones: All area codes are changing in mid-May, therefore all current phone numbers will soon be out of date. Area codes must be dialled for all calls, including local ones. The Denmark code for international calls is 45. Dialling out of Denmark, the code is 009.

Hotels: Room rates in the top range hotels in Copenhagen are Dkr1,000-1,500 for a single, not always with breakfast. Palace 01144050; Hotel d'Angleterre 01120095; Plaza 01149262; SAS Scandinavia 01112324; SAS Royal 01141412; Sheraton 01143535; King Frederik 01125905; Imperial 01128000; and Admiral 01118282 are all central and recommended.

Travel: Kastrup International Airport is the main airport for Copenhagen. Duty-frees at Kastrup are among the cheapest in Europe. SAS bookings 01137277; airport information 01541701.

There are domestic flights timed to suit the business traveller to Odense (Funen), Aarhus, Aalborg, Thisted, Esbjerg, Billund, Sonderborg (all Jutland). Bookings through SAS or other airlines.

Plenty of taxis in the big towns, with tariffs matching the country's high-cost reputation.

Copenhagen has an efficient suburban train (S-tog) service and a good bus service.

Avis 01152299; Herz 01127700; and InterRent 01140111 offer nation-wide car hire services. SAS offers a limousine service from the main airports for business travellers.

Eating out: Copenhagen has dozens of excellent, small restaurants, including an increasing variety of ethnic restaurants if you want to get away from hotel dining rooms. Central: Kong Hans, Joanne's, Egoisten, Copenhagen Corner, Peder Oxe, Lumskebugten, Fiskehuset (fish), Cranks (vegetarian), Kommandanten, Les Etoile et une Rose, Sorte Ravn, Leonore Christina. Lunch restaurants specialising in Danish open sandwiches include Ida Davidsen, Gitte Kik, Skt Annae, Gilleleje. In summer, there are several good restaurants in the Tivoli amusement gardens, Divan II, Nimb, Balkonen.

At meals, do not raise your glass until your host or hostess does so, then look everyone at the table in the eye before you drink, and do not put your glass down until you see your host or hostess doing so.

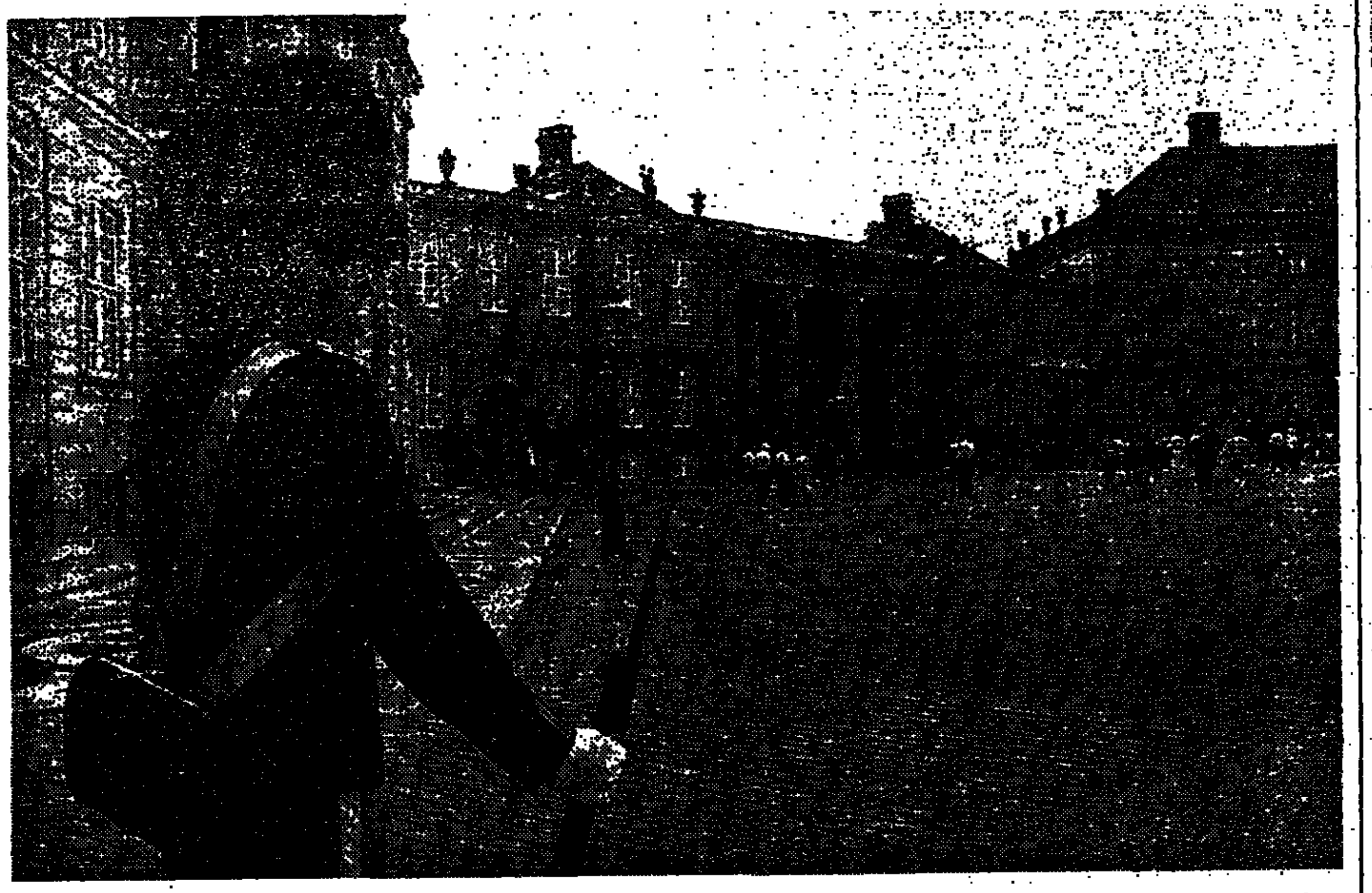
If invited out privately, always take a small gift for the hostess – flowers or chocolates, for example.

In business, be on time, and come to the point; the Danes do not expect to spend 20 minutes getting to know you before they talk business.

Business advice: The big banks: Danske Bank 01156500; Copenhagen Handelsbank 01128600; Privatbanken 01111111; SDS 01131389; Andelsbanken 01145114; and for Jutland Provinsbanken 006252711; and Jyske Bank 06821122. The Federation of Industries (Industriraadet) 01152233; the Agricultural Council (Landbrugsraadet) 01145672; the Tourist Council (Turistraadet) 01111415; and for independent analysis of the state of the political and economic situation The Scandinavian Economies: 01142127. British Embassy 01264600; US Embassy 01423144.

British Business Lunch: last Friday in month. Visitors welcome: contact Hilary Barnes 01142127, Fax 01938032).

Public holidays: December 25-26, January 1, Maunday Thursday, Good Friday, Easter Monday, Great Prayer Day (fifth Friday after Good Friday), Ascension Day, Whit Monday, Constitution Day (June 5).



Amalienborg Palace – royal residence

Nyhavn

Shake-up plans

Continued from page 1

govern Denmark without a broad basis of consent. This is why there always seems likely to be a serious gap between the intentions and the outcome of government policies in the country.

Mr Schlüter, after last year's May general election, managed to win over the pivotal Radical Liberals to join his coalition. Traditionally the party believes in the market economy and a pacifist foreign policy. Its backing is vital for the survival of the government. Mr Niels Helveg Petersen, the party's leader and now economy minister, seems ready to go along with what some ministers are already calling the "horror" package designed to remedy the country's economic problems but he insists: "We have to do a deal with the Social Democrats in it." The recent compromise settlement on defence is seen by him as the kind of broad-based deal that might succeed in another controversial area.

Yet the uncertainties of the parliamentary situation suggest that in the inevitable give and take Mr Schlüter will have to surrender more of his original package than is economically sensible. But then a Dane in a hair-shirt is an unlikely figure. As Robert Molesworth, a perceptive English diplomatic observer of the Danish scene in 1692 recalled of the Danes: "They live but from hand to mouth and therefore as soon as they get a little money they spend it. They live today, as the poet advises, not knowing but what they now have may be taken from them tomorrow." However, he went on: "There is a moral impossibility all these taxes and impositions should continue."

It may well be that Mr Schlüter will have to battle against the tide of Danish history to make his country the kind of competitive economy he would like to see, whatever encouragement he is receiving today from opinion surveys and his political colleagues.